CITY OF OAKLAND
CALIFORNIA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

CITY OF OAKLAND

CALIFORNIA

SINGLE AUDIT REPORTS

YEAR ENDED JUNE 30, 2019

PREPARED BY THE FINANCE DEPARTMENT

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CITY OF OAKLAND
SINGLE AUDIT REPORTS

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CITY OF OAKLAND

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FINANCIAL SECTION

MGO Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note II Section H.5. to the basic financial statements, the City is the defendant in a lawsuit alleging that the City was aware of dangerous conditions at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. Trial is scheduled for May 2020. While the City vigorously opposes the allegations, the City believes that it could have some loss exposure. Potential losses to the City are estimated to be in the range of $100 million. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of employer pension contributions, the schedules of changes in net other postemployment benefits liability and related ratios, the schedules of employer other postemployment benefits contributions, and the budgetary comparison schedules of the General Fund and the Other Special Revenue Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, the State of California Department of Community Services and Development supplemental schedules of revenue and expenditures, and the supplemental schedule of expenditures of Alameda County awards (collectively referred to as Supplementary Schedules), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the State of California Department of Community Services and Development, and the County of Alameda, respectively, and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 13, 2019, except for our report on the supplementary schedules, for which the date is February 19, 2020

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This section of the City of Oakland's (the City) Comprehensive Annual Financial Report provides an overview and analysis of the financial activities of the City for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2019, total liabilities and deferred inflows of resources exceed the total assets and deferred outflows of resources by $283.5 million compared to a negative net position of $456.8 million at June 30, 2018:

- $1.4 billion represents the City's investment in capital assets, less any related outstanding debt and related deferred outflows and inflows of resources used to acquire those assets *(net investment in capital assets)*. These capital assets are used to provide services to citizens and are not available for future spending.
- $666.9 million represents resources that are subject to restrictions on their use and are available to meet the City's ongoing obligations for programs, of which $304.4 million pertains to Low and Moderate Income Housing Redevelopment and $327.2 million is restricted for Housing and Community Development programs.
- $2.3 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension and other postemployment benefits (OPEB) liabilities, and other unfunded long-term liabilities *(unrestricted net position)*. The net pension and OPEB liability deficits are the biggest contributing factors at $1.7 billion and $840.6 million, respectively. The remaining changes in net position are discussed below.
- $157.8 million of the increase in net position was derived from governmental activities predominantly from increases in property tax, real estate transfer tax, sales and use tax, and Measure D. These increases were off-set by increases in expenses of $27.9 million primarily in General Government.
- $15.5 million of the increase in net position was derived from the business-type activities, mainly the Sewer-related activities.

Total fund balance for the City's governmental funds balances increased by 3.0 percent, or $28.3 million, compared to the prior fiscal year, rising to $980.5 million. This increase is primarily attributed to the increase in property tax revenues, real estate transfer tax, sales and use tax, and the passage of Measure D - 2018 Oakland Public Library Preservation Act commencing July 1, 2018.

The City's uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2018-19 (See Note II, part I).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to the financial statements for a private-sector business.

The *statement of net position* presents information on all the City's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community and human services, community and economic development, and public works and transportation. The business-type activities of the City include the sewer service system and the parks and recreation. The government-wide financial statements do not include the fiduciary funds, which comprise the private purpose trust funds and pension trust funds. Resources in the fiduciary funds are not available to support the City's own programs.

The government-wide financial statements include the primary government of the City and the Port of Oakland (Port), as a discrete component unit. Financial information for the Port is reported separately from the financial information presented for the primary government. Further information about the Port can be obtained from the Port Financial Services Division, 530 Water Street, Oakland, CA 94607 or visit the website at www.portofoakland.com.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into the following three categories: *governmental funds, proprietary funds,* and *fiduciary funds.*

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service, and general fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the federal and state grant special revenue fund, the low and moderate income housing asset fund (LMIHF), the municipal capital improvement fund, and the other special revenue fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund and the other special revenue fund in the required supplementary information to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information shown in the government-wide statements only in more detail.

The City maintains the following two types of proprietary funds:

(1) Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The sewer service fund is considered to be a major fund of the City.

(2) Internal Service Funds are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, central stores, purchasing, and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of employees and parties outside the City. The Police and Fire Retirement System (PFRS) Fund is reported as a pension trust fund. The private purpose trust funds along with the private pension trust fund are reported as trust funds since their resources are not available to support the City's own programs. For this reason, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the general fund and the other special revenue fund, schedules of changes in the net pension liability and related ratios and pension plan contributions, and schedules of changes in the net OPEB liability and related ratios and OPEB plan contributions.

Other Information

In addition, this report presents combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds that immediately follow the required supplementary information.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. As of June 30, 2019, total liabilities and deferred inflows of resources exceed the total assets and deferred outflows of resources by $283.5 million compared to a negative net position of $456.8 million at June 30, 2018, which represents an increase in net position of $173.4 million. Current and other assets increased by $105.7 million primarily due to higher property tax, real estate transfer tax, and license and permit revenues. Additionally, capital assets increased by $32.3 million. These amounts were offset by increases in the net pension and OPEB liabilities. The City's net position also reflects the net investment in capital assets of $1.4 billion for governmental and business-type activities. Of the remaining balance, $666.9 million of net position is subject to external restrictions on how it may be used. The unrestricted net position of negative $2.3 billion is comprised of a deficit balance of $2.3 billion for governmental activities, and a positive balance of $14.8 million for business-type activities. As of June 30, 2019, unrestricted net position for governmental and business-type activities increased by $126.1 million as compared to June 30, 2018.

Condensed Statement of Net Position

June 30, 2019 and 2018 (In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	$ 1,715,707	$ 1,619,488	$ 73,648	$ 64,179	$ 1,789,355	$ 1,683,667
Capital assets	1,430,104	1,406,930	245,373	236,254	1,675,477	1,643,184
TOTAL ASSETS	3,145,811	3,026,418	319,021	300,433	3,464,832	3,326,851
Deferred Outflows of Resources:						
Loss on refunding of debt	14,758	16,003	—	—	14,758	16,003
Related to pensions	318,377	383,063	3,826	10,874	322,203	393,937
Related to OPEB	39,111	36,654	19	571	39,130	37,225
TOTAL OUTFLOWS	372,246	435,720	3,845	11,445	376,091	447,165
Liabilities:						
Long-term liabilities	1,050,111	1,126,021	31,690	34,267	1,081,801	1,160,288
Other liabilities	268,942	233,035	2,689	3,329	271,631	236,364
Net pension liability	1,613,350	1,660,253	41,226	43,672	1,654,576	1,703,925
Net OPEB liability	828,065	836,431	12,578	13,040	840,643	849,471
TOTAL LIABILITIES	3,760,468	3,855,740	88,183	94,308	3,848,651	3,950,048
Deferred Inflows of Resources:						
Gain on refunding of debt	—	—	395	434	395	434
Related to pensions	37,770	24,856	1,563	620	39,333	25,476
Related to OPEB	231,400	250,952	4,600	3,912	236,000	254,864
TOTAL INFLOWS	269,170	275,808	6,558	4,966	275,728	280,774
Net Position:						
Net investment in capital assets	1,144,031	1,126,892	213,288	201,553	1,357,319	1,328,445
Restricted	666,949	648,566	—	—	666,949	648,566
Unrestricted (deficit)	(2,322,561)	(2,444,868)	14,837	11,051	(2,307,724)	(2,433,817)
TOTAL NET POSITION	$ (511,581)	$ (669,410)	$ 228,125	$ 212,604	$ (283,456)	$ (456,806)

Governmental activities: The City’s net position in governmental activities increased by $157.8 million.

Total assets increased by $119.4 million, or 3.9 percent, to $3.1 billion. The significant changes in assets occurred in the following areas:

- *Current and other assets* increased by $96.2 million mainly due to changes in cash and investments from higher property tax due to increases in assessed values; real estate transfer tax increased due to a 150% increase in the sale of properties in excess of $100 million. This was due to one company selling 4 office buildings; license and permit revenues and associated impact fees increased from additional planned development.

Total liabilities decreased by $95.3 million, or 2.5 percent to $3.8 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decreased by $75.9 million million primarily due to principal payments on outstanding debt.
- *Net pension liability* decreased by $46.9 million mainly due to changes in demographic assumptions and the inflation rate.
- *Net OPEB liability* decreased by $8.4 million mainly due to changes in actuarial assumptions from a decrease in the discount rate.

Net position increased by $157.8 million million to a deficit $511.6 million as of June 30, 2019 from a deficit $669.4 million at June 30, 2018. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- $1.1 billion of net position reflects the City's *investment in capital assets* (e.g., land, buildings infrastructure, facilities and equipment), net of any related outstanding debt and debt-related deferred outflows and inflows of resources that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. These assets, therefore, are not available for future spending.
- $666.9 million of net position represents resources that are subject to restrictions on how they may be used and are therefore restricted.
- $2.3 billion of net position represents a deficit in unrestricted net position that has primarily resulted from the underfunding of pension and OPEB liabilities, as well as liabilities for pension obligation bonds.

The following table indicates the changes in net position for governmental and business-type activities:

Condensed Statement of Activities
Years Ended June 30, 2019 and 2018
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	$ 203,390	$ 221,719	$ 67,098	$ 66,168	$ 270,488	$ 287,887
Operating grants and contributions	95,198	124,238	—	—	95,198	124,238
Capital grants and contributions	22,672	750	—	—	22,672	750
Total program revenues:	321,260	346,707	67,098	66,168	388,358	412,875
General revenues:						
Property taxes	358,446	340,573	—	—	358,446	340,573
State taxes:						
Sales and use taxes	92,319	85,500	—	—	92,319	85,500
Gas tax and Motor Vehicle in-lieu	16,615	11,091	—	—	16,615	11,091
Local taxes:						
Business license	99,733	86,107	—	—	99,733	86,107
Utility consumption	49,599	52,047	—	—	49,599	52,047
Real estate transfer	104,905	77,663	—	—	104,905	77,663
Transient occupancy	33,005	30,039	—	—	33,005	30,039
Parking	21,726	21,137	—	—	21,726	21,137
Voter approved special tax	59,682	50,469	—	—	59,682	50,469
Franchise	19,340	19,124	—	—	19,340	19,124
Interest and investment income	26,394	11,762	1,309	727	27,703	12,489
Other	31,457	42,362	14	—	31,471	42,362
Total revenues	1,234,481	1,174,581	68,421	66,895	1,302,902	1,241,476
Expenses:						
General government	199,697	110,486	—	—	199,697	110,486
Public safety	444,400	471,378	—	—	444,400	471,378
Community and human services	142,719	144,763	—	—	142,719	144,763
Community and economic development	103,099	103,328	—	—	103,099	103,328
Public works and transportation	127,597	158,610	—	—	127,597	158,610
Interest on long-term debt	60,432	61,505	—	—	60,432	61,505
Sewer	—	—	50,831	49,645	50,831	49,645
Parks and recreation	—	—	777	1,317	777	1,317
Total expenses	1,077,944	1,050,070	51,608	50,962	1,129,552	1,101,032
Change in net position before transfers	156,537	124,511	16,813	15,933	173,350	140,444
Transfers	1,292	1,292	(1,292)	(1,292)	—	—
Change in net position	157,829	125,803	15,521	14,641	173,350	140,444
Net Position:						
Beginning of year, as previously reported	(669,410)	(93,045)	212,604	208,019	(456,806)	114,974
Changes in accounting principle	—	(702,168)	—	(10,056)	—	(712,224)
Beginning of year, as restated	(669,410)	(795,213)	212,604	197,963	(456,806)	(597,250)
End of year	$ (511,581)	$ (669,410)	$ 228,125	$ 212,604	$ (283,456)	$ (456,806)

Governmental activities: Net position for governmental activities increased by $157.8 million during fiscal year 2018-19. Total revenue increased by 5.1 percent and expenses increased by 2.7 percent. During fiscal year 2017-18, revenues increased at a rate of 9.7 percent and expenses increased by 3.4 percent.

Changes in net position for governmental activities are attributed to the following significant elements:

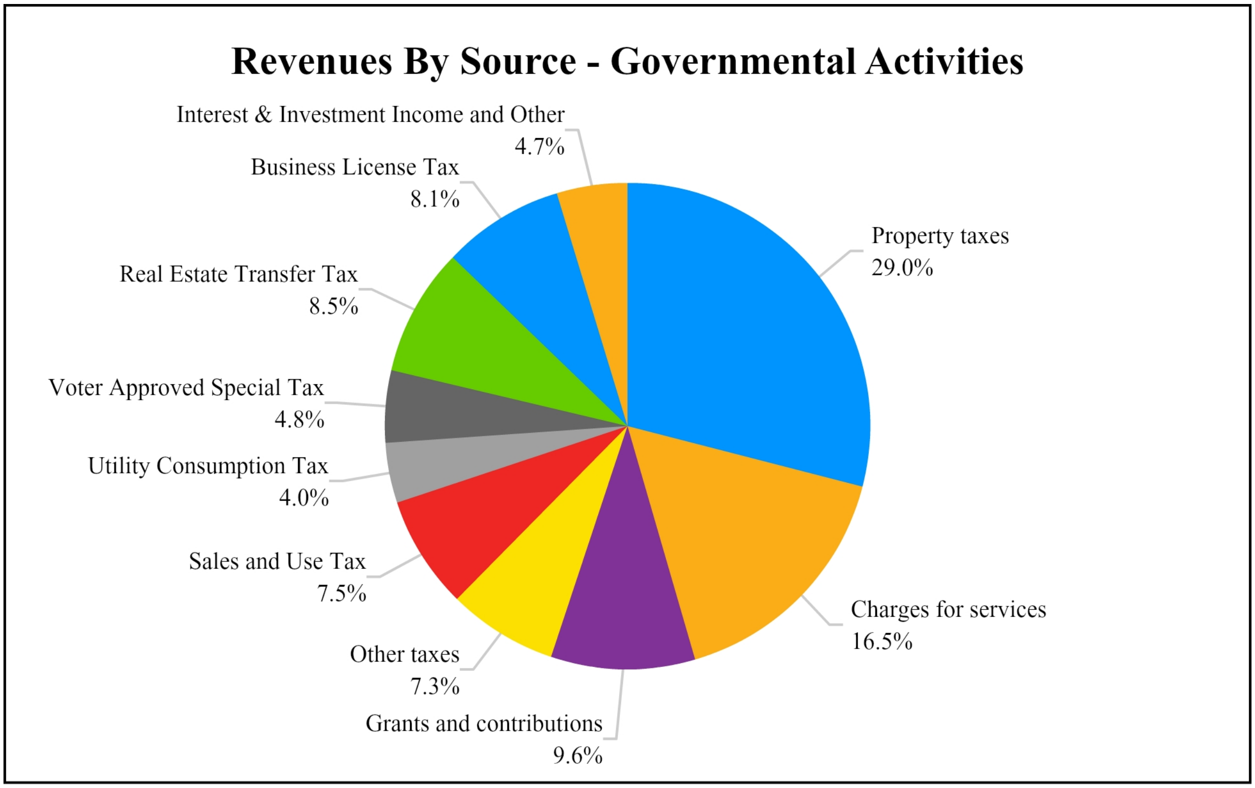
- Contributing factors to the increase in total revenues include: property tax increased by $17.9 million due to increases in assessed values from change in ownership reassessments amidst a continued strong property market, inflationary assessed value adjustments, and increases from voter-approved measures. Operating grants and contributions decreased by $29.0 million, or 23.4 percent, due to reduced grant activity for Housing and Urban Development Grants and State Department of Transportation grants for one-time projects (e.g., Embracadero Bridge). Voter-approved special taxes increased by $9.2 million, or 18.3 percent, due to the Measure D - 2018 Oakland Public Library Preservation Act. This additional parcel tax was approved by Oakland voters in June 2018, establishing a supplementary funding source for library services, material, and programs. Real estate transfer tax increased by $27.2 million, or 35.1 percent, primarily due to the sale of 4 properties from a single owner ($12.4 million) in the third quarter. Additionally, three properties transferred ownership (1221, 1330 & 1333 Broadway) totaling $9.3 million. On November 6, 2018, Oakland voters approved Measure X, establishing a progressive real estate transfer tax rate for the City which became effective January 1, 2019. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions and sales of high value properties. Contributing factors resulting in a decrease in revenues included a $2.4 million reduction in Utility User Tax (UUT), reflecting decreased utility usage by ratepayers.

- *General government* expenses increased by $89.2 million, or 80.7 percent, due to the recategorization of the PFRS contributions of $44.9 million previous reflected in Public Safety, and capital improvement costs from public works and the department of transportation.

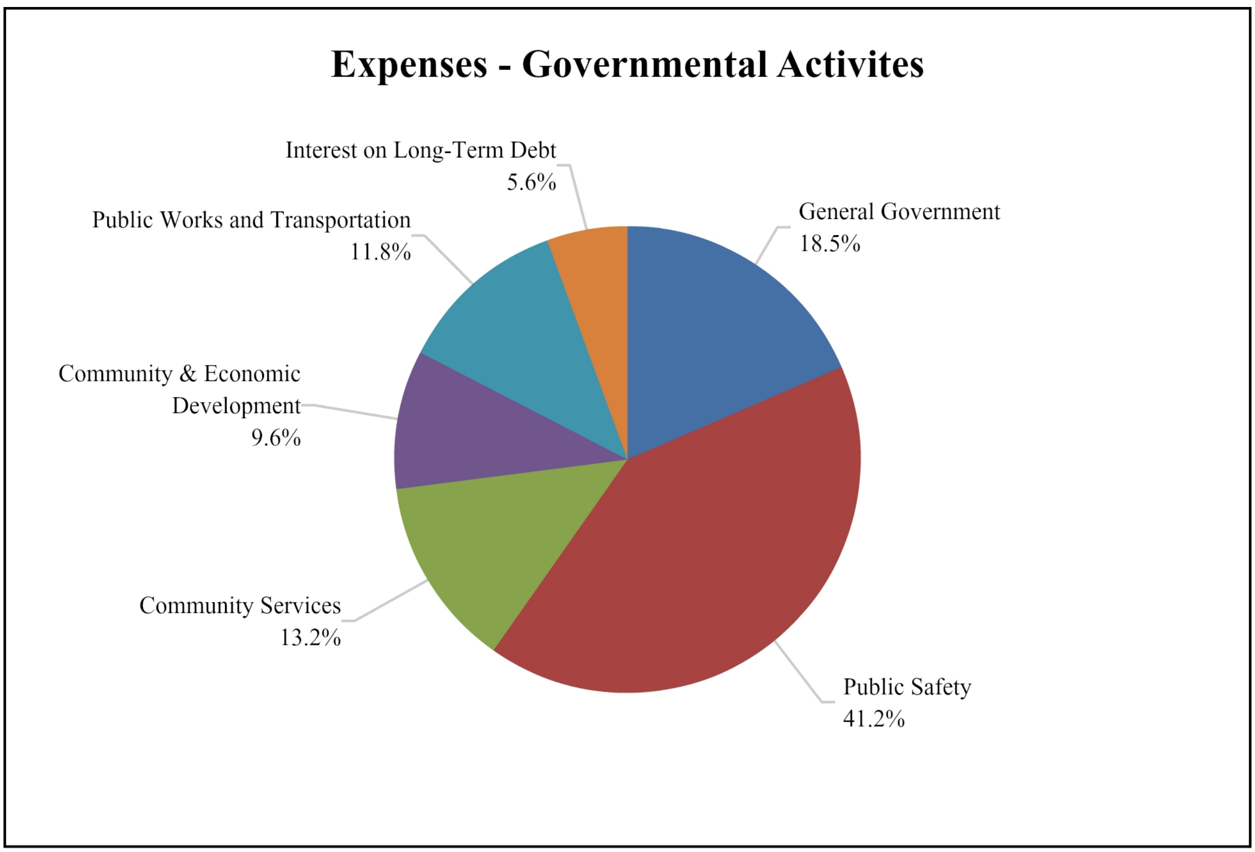
- *Public works and transportation* expenses decreased by $31.0 million million, or 19.6 percent, primarily due to due to the re-categorization of capital improvement costs to general government.

- *Interest on long-term debt* decreased by $1.1 million million, or 1.7 percent, primarily due to a decrease in outstanding debt.

- *Citywide personnel costs* associated with negotiated cost of living increases for all bargaining units, including retroactive pay for the fire department back to the expiration of the prior contract in November 2017. Additional increased costs in public safety personnel were largely due to overtime related to minimum staffing requirements, backfill, extension of shift and unanticipated special enforcement.



Revenues By Source - Governmental Activities
Interest & Investment Income and Other 4.7%
Business License Tax 8.1%
Property taxes 29.0%
Real Estate Transfer Tax 8.5%
Voter Approved Special Tax 4.8%
Utility Consumption Tax 4.0%
Sales and Use Tax 7.5%
Charges for services 16.5%
Other taxes 7.3%
Grants and contributions 9.6%



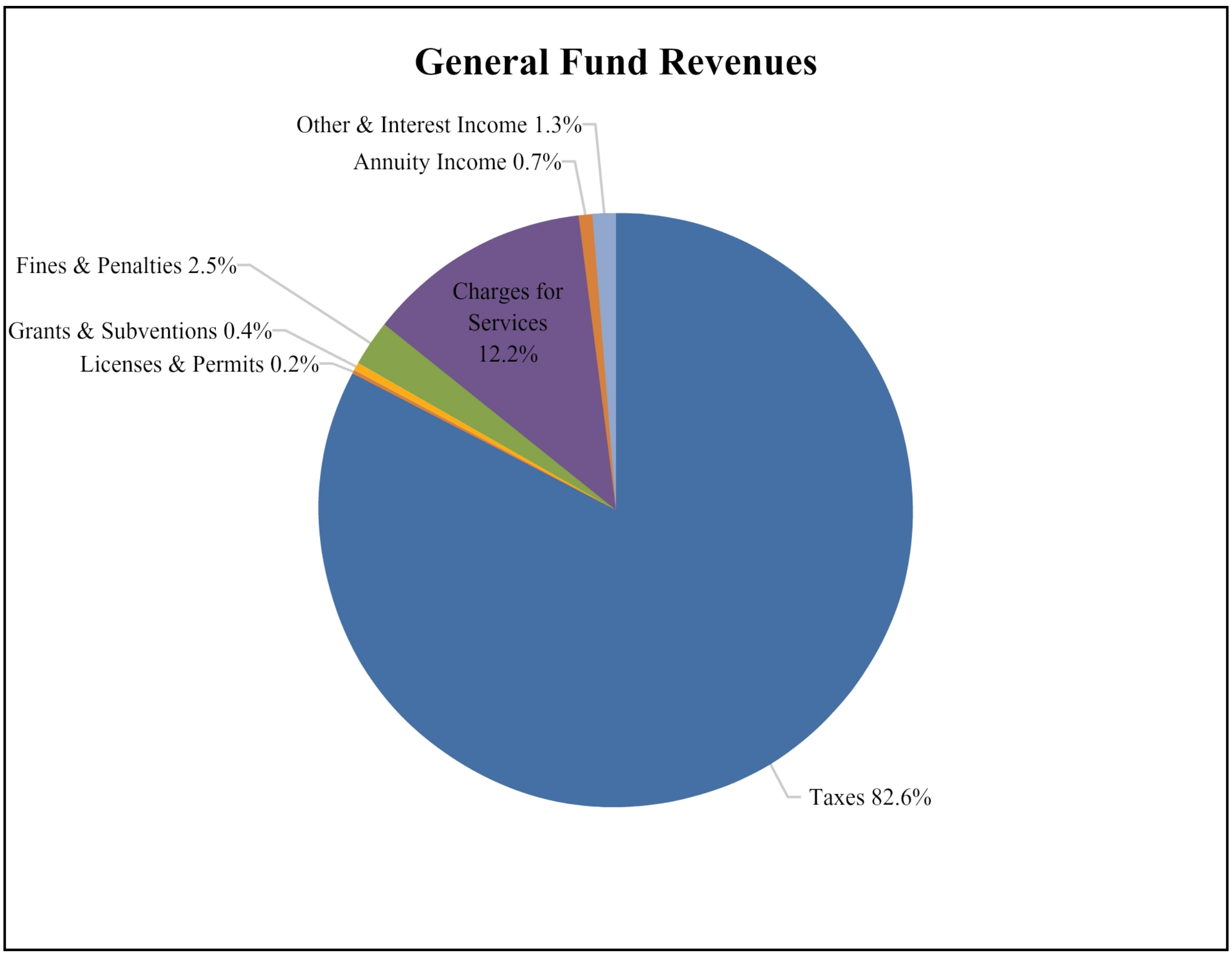
Expenses - Governmental Activites
Interest on Long-Term Debt 5.6%
General Government 18.5%
Public Works and Transportation 11.8%
Community & Economic Development 9.6%
Community Services 13.2%
Public Safety 41.2%

Business-type activities: Business-type activities ended the fiscal year with an increase in net position of $15.5 million due primarily to positive operating results in the Sewer Fund of $15.8 million. Operating revenues in the Sewer Fund exceeded operating expenses by $16.8 million.

Financial Analysis of the Governmental and Proprietary Funds

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund: The general fund is the chief operating fund of the City. At June 30, 2019, its unassigned fund balance is $118.2 million or 27.7 percent of the $427.1 million total general fund balance.



For the year ended June 30, 2019 and 2018, revenues for the general fund are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2019	**2018**	**Amount**	**%**
Revenues:				
Taxes:				
Property taxes	$ 312,255	$ 295,216	$ 17,039	5.8 %
State taxes:				
Sales and use taxes	62,054	57,465	4,589	8.0 %
Motor vehicles in-lieu tax	206	224	(18)	-8.0 %
Local taxes:				
Business license	99,733	86,107	13,626	15.8 %
Utility consumption	49,599	52,047	(2,448)	-4.7 %
Real estate transfer	104,905	77,663	27,242	35.1 %
Transient occupancy	25,923	23,583	2,340	9.9 %
Parking	11,053	10,803	250	2.3 %
Voter-approved special tax	9,408	11,878	(2,470)	-20.8 %
Franchise	19,087	18,858	229	1.2 %
License and permits	1,783	2,384	(601)	-25.2 %
Fines and penalties	21,081	18,267	2,814	15.4 %
Charges for services	102,826	97,371	5,455	5.6 %
Federal and state grants and subventions	3,568	3,813	(245)	-6.4 %
Annuity income	6,291	6,952	(661)	-9.5 %
Other	10,662	3,251	7,411	228.0 %
Total revenues	**$ 840,434**	**$ 765,882**	**$ 74,552**	**9.7%**

General Fund Revenues: Significant change in revenues are us follows:

- *Property taxes* increased by $17.0 million or 5.8 percent. This is mainly due to increases in assessed values.

- *Real estate transfer tax* increased by $27.2 million or 35.1 percent primarily due to the sale of 4 properties from a single owner ($12.4 million) in the third quarter. Additionally, three properties transferred ownership (1221, 1330 & 1333 Broadway) totaling $9.3 million.

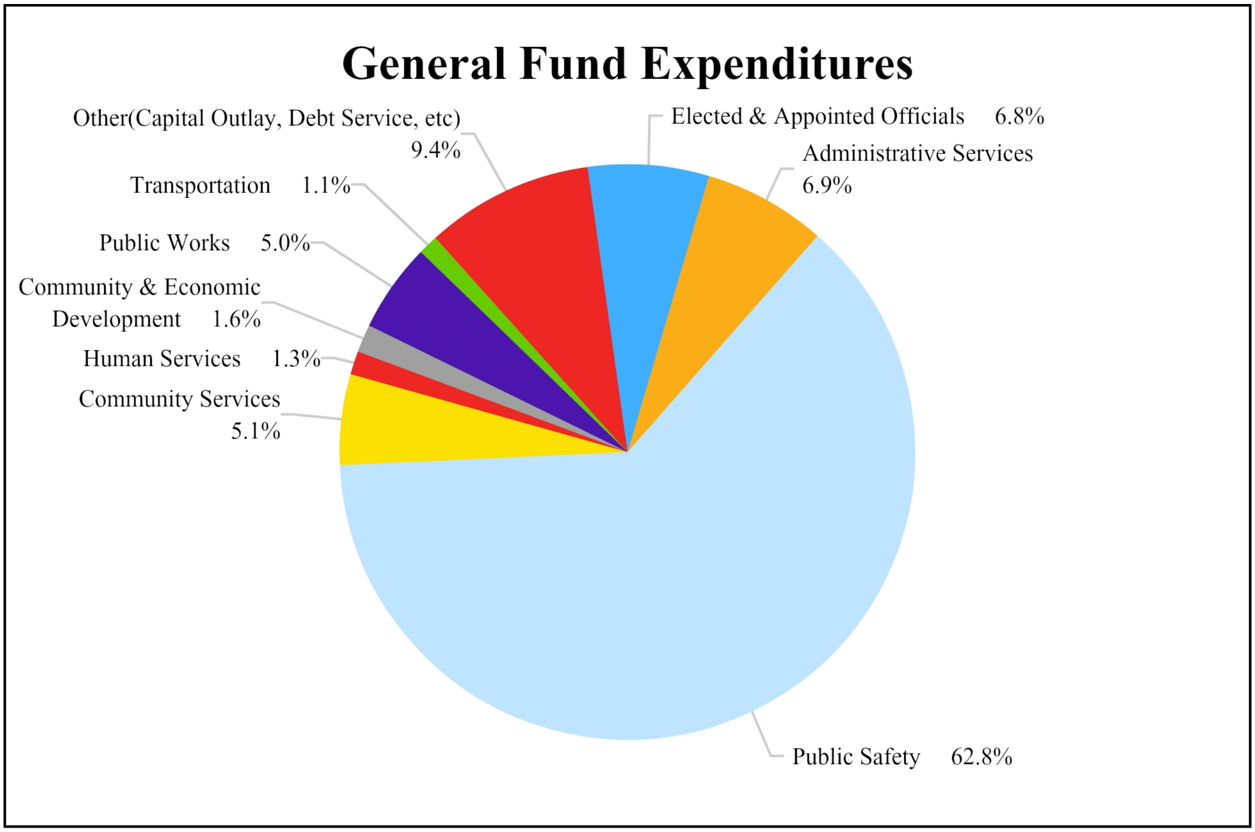
- *Business license tax* increased by $13.6 million, including $7.0 million in one-time revenues derived from a comprehensive audit and collection of delinquent and unregistered businesses, and $3.4 million in revenues from new cannabis businesses that registered in 2018 that are required to pay two years of taxes in the second year of establishment (FY 2018-19) per the City's tax code.

- *Voter-approved special tax* decreased by $2.5 million due to a reduction in sugar-sweetened beverage distribution tax revenues. The intent of this tax is to encourage a decrease in consumption, therefore the revenues are expected to decrease over time.

- *Charges for services* increased by $5.5 million primarily due to an increase of $4.9 million received unanticipated reimbursable Police Services provided for special events largely at the Coliseum.

For the years ended June 30, 2019 and 2018, expenditures for the general fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2019	2018	Amount	%
Expenditures:				
Current:				
General Government	$ 156,754	$ 143,136	$ 13,618	9.51 %
Public Safety	438,500	398,105	40,395	10.1 %
Community and Human Services	44,656	47,448	(2,792)	-5.9 %
Community and Economic Development	10,966	7,607	3,359	44.2 %
Public Works and Transportation	42,662	34,107	8,555	25.1 %
Capital outlay	749	1,827	(1,078)	-59.0 %
Debt Service:				
Principal repayment	3,702	4,744	(1,042)	-22.0 %
Bond issuance costs	—	167	(167)	N/A
Interest charges	147	941	(794)	-84.4 %
Total Expenditures	**$ 698,136**	**$ 638,082**	**$ 60,054**	**9.4%**



General Fund Expenditures: Significant changes in expenditures are as follows:

- *Public safety* increased by $40.4 million, or 10.1 percent, due to the negotiated cost of living adjustment and overtime for sworn employees as a result of targeted crime reduction, coverage of vacancies, and fire academies.

- *General government* increased by $13.6 million, or 9.5 percent, due to a $6.6 million increase in PFRS contributions and other personnel cost increases.

- *Public Works and Transportation* increased by $8.6 million, or 25.1 percent, primarily due to increased spending on self-insurance claims and settlements, as well as the parking meter management program.

Federal and State Grant Fund: The Federal and State Grant Fund had a fund balance of $9.1 million as of June 30, 2019 which represents an increase of $2.2 million from the prior fiscal year due to the increased grant activity in several programs.

Low and Moderate Income Housing Asset Fund (LMIHF): Upon the dissolution of the Former Agency, the City retained the housing activities previously funded by the Former Agency, created LMIHF, and transferred the assets and affordable housing activities of the low and moderate income fund to the City. The ending fund balance as of June 30, 2019 was $62.4 million and the fund's net loan receivable balance was $240.0 million. The fund balance increased by $5.9 million, of which $2.5 million was transferred from the Oakland Redevelopment Successor Agency.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $261.4 million as of June 30, 2019 that represents a decrease of $41.7 million, or 13.8 percent, from the prior fiscal year. This decrease is primarily due to spending of restricted bond proceeds on capital outlays for Measure KK projects.

The Other Special Revenue Fund accounts for activities of several Special Revenue Funds, including the following local measures; Measure Z – Violence Prevention and Public Safety Act of 2014; Measure C – Oakland Hotel Tax; Measure Q – Library Services Retention and Enhancement; Measure WW – East Bay Regional Park District local grant program; Measure N – Paramedics Services Act; Oakland Kid's First Fund; Development Service Fund; and other miscellaneous special revenue programs. The ending fund balance as of June 30, 2019 was $183.7 million, which increased $27.3 million from the previous fiscal year primarily due to increased revenue from newly approved local tax from Measure D.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements under the business-type column but in more detail. The portion of net position invested in capital assets, excluding internal service funds, was $213.3 million as of June 30, 2019, compared to $201.6 million for the previous fiscal year. The increase of $11.7 million is primarily due to the capitalization of completed sewer projects.

General Fund Budgetary Highlights

During the year ended June 30, 2019, the general fund had a $9.8 million increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of $840.0 million were $55.4 million higher than the final amended budget. The variance is due primarily to increases in business license tax of $13.1 million and $30.7 million in real estate transfer tax.

In addition, there was a $52.5 million increase in appropriations between the original and final amended operating budget for the general fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by the City Council.

Actual budgetary basis expenditures of $698.1 million were $41.1 million less than the final amended budget. Although some individual departments exceeded their budgets, the overspending was offset by savings in other departments. Police overspending in personnel was largely due to overtime related to backfill, extension of shift and unanticipated special enforcement. The Fire department is required to have minimum staffing levels for each shift, therefore they were overspent as a result of overtime for backfilling shifts. Overspending in the City Clerk's Office was a result of one-time election costs. Information technology exceeded budget in the personnel cost category primarily due to overtime. Savings in other departments were experienced mainly due to vacancies, budget contingencies and project and encumbrance carryforwards for multi-year budgets.

Capital Assets

The City’s capital assets, net of depreciation, totaled $1.4 billion as of June 30, 2019 compared to $1.4 billion as of June 30, 2018, an increase of $23.2 million, or 1.6 percent. Governmental activities additions included $80.5 million in capital assets from construction in progress which met the City’s threshold for capitalization, and were offset by retirements and depreciation. Major construction projects underway include roadway and traffic improvements, park and recreation center upgrades, and infrastructure in support of the new logistics facility at the former Oakland Army Base.

Business activities, primarily in the Sewer Fund, increased capital assets by $9.1 million, which included a $14.8 million increase in construction in progress, primarily for sanitary sewer system capacity upgrades, net of retirements and depreciation. See Note II, part D to the financial statements for more details on capital assets.

Construction Commitments

As of June 30, 2019 the City had construction commitments of $140.3 million. Major commitments include $47.6 million for sewers and storm drains, $48.1 million for street and sidewalk improvements, and $17.3 million for parks and open space. See Note III, part C.2 for more details on construction commitments.

Debt Administration:

General Obligation Bonds and Other Bond Ratings

A credit rating is a value assigned by one or more of the recognized rating agencies that “grade” a jurisdiction’s credit, or financial trustworthiness. The three primary rating agencies are Moody’s Investors Service (Moody’s), Standard & Poor’s Rating Services (S&P), and Fitch Ratings (Fitch). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. The City continues to maintain strong credit ratings on the City’s existing general obligation bonds from all three national rating agencies despite the difficult financial and economic conditions nationally and locally.

The City of Oakland's underlying ratings for its bonds as of June 30, 2019 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S&P**	**Fitch**
General obligation bonds	Aa2	AA	AA-[1]
Lease revenue bonds	Aa3	AA-	N/A
Pension obligation bonds	Aa3	AA	A+
Tax Allocation bonds[2]	Baa2[3]/A1	A+/AA-/AA/AA[3]	N/A

[1]Issuer Default Rating

[2]Ratings vary by series

[3]Insured Rating

General Fund Bonded Debt Limit

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $2.2 billion. The total amount of debt applicable to the debt limit was $301.7 million. The resulting legal debt margin was $1.9 billion.

Long-Term Obligations

As of June 30, 2019, the City had total long-term obligations of $1.1 billion compared to $1.2 billion outstanding for the prior fiscal year, a decrease of 6.8 percent. Of this amount, $301.7 million is general obligation bonds backed by the full faith and credit of the City. The remaining $748.5 million is comprised of various long-term debt instruments listed below plus accruals of year-end estimates for other long-term liabilities (in thousands):

	Governmental Activities		Business-Type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
General obligation bonds	$ 301,655	$ 317,605	—	$ —	$ 301,655	$ 317,605
Lease revenue bonds	54,905	60,025	—	—	54,905	60,025
Pension obligation bonds	246,872	271,580	—	—	246,872	271,580
Special assessment debt district bonds	3,295	3,585	—	—	3,295	3,585
Accreted interest on appreciation bonds	118,643	136,371	—	—	118,643	136,371
Sewer bonds	—	—	28,260	30,495	28,260	30,495
Unamortized premium and discounts	26,008	27,934	3,430	3,772	29,438	31,706
Total bonds payable	**751,378**	**817,100**	**31,690**	**34,267**	**783,068**	**851,367**
Loans, notes & leases payable	71,392	76,296	—	—	71,392	76,296
Other long-term liabilities	227,341	232,625	—	—	227,341	232,625
Total long-term obligations	**$1,050,111**	**$1,126,021**	**$ 31,690**	**$ 34,267**	**$1,081,801**	**$ 1,160,288**

The City's long-term obligations decreased by $78.5 million compared to the prior fiscal year balance. The decrease is primarily attributable to principal payments during the year and limited issuance of new debt.

Current Year Long-Term Debt Financing:

- On August 1, 2018, the City entered into a Master Lease-Purchase Agreement in the principal amount of $7.9 million to provide funding to upgrade, replace, and implement mission-critical public safety IT systems. The final maturity is August 1, 2024 and the obligation has an interest rate of 1.9755 percent.

- On March 15, 2019, the City entered into a Master Lease-Purchase Agreement in the principal amount of $8.1 million to provide funding for replacement of vehicles and related equipment. The financing included three schedules with interest rates of 2.598 to 2.850 percent and a final maturity of March 15, 2029. The agreement also provided for an additional borrowing in the amount of $7.9 million for replacement of vehicles and related equipment commencing on March 15, 2020.

Additional information on the City's long-term debt obligations can be found in Note II, part G to the financial statements.

Economic Factors and Next Year's Budget

The economic indicators highlighted below, among others and including labor union contracts and concessions, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2018-19.

The City's economy continues to grow, which is resulting in a steady growth of general fund revenues. These increases, however, continue to be exceeded by rising costs. There is also pressure on the budget to fund long-term deferred maintenance and capital equipment, and long-term unfunded liabilities. The City adopted a balanced budget for fiscal years 2019-21 and continues to make key investments in high priority areas, such as homelessness, affordable housing, violence prevention, safer and cleaner streets, and greater protections against increasing fire risk. In fiscal year 2019-20, the City will consider mid-cycle adjustments to this two-year budget.

In April 2019, the City issued a Five-Year Financial Forecast for Fiscal Years 2019-20 through 2023-24. The forecast highlighted a gap between projected expenditures and estimated revenues which the City will need to address in upcoming budgets. This gap has arisen despite recent economic growth, and could become more severe in the event of a recession or unanticipated revenue shortfall. Expenditure growth is primarily driven by personnel costs, particularly City contributions towards active and retiree medical benefits and pensions. Revenue growth, supported by a strong real estate market and ongoing development, has helped the City to manage recent expenditure growth but cannot be relied upon over the longer term.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Finance Department, Controller's Bureau, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at https://www.oaklandca.gov/.

BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2019
(In thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 772,298	$ 59,249	$ 831,547	$ 448,988
Receivables (net of allowance for uncollectibles of $15,894 for City and $1,063 for Port):				
Accrued interest	3,650	289	3,939	—
Property taxes	13,585	—	13,585	—
Accounts receivable	64,423	14,415	78,838	27,469
Grants receivable	31,453	—	31,453	—
Due from Port	10,136	—	10,136	—
Due from Oakland Redevelopment Successor Agency	4,269	—	4,269	—
Due from pension trust fund	5	—	5	—
Internal balances	445	(445)	—	—
Due from other governments	10,790	—	10,790	—
Inventories	827	—	827	—
Restricted assets:				
Cash and investments	223,199	121	223,320	64,247
Receivables	—	—	—	3,479
Property held for resale	162,657	—	162,657	—
Notes and loans receivable (net of allowance for uncollectibles of $167,262 for the City)	417,560	—	417,560	—
Prepaid expenses	195	19	214	3,906
Other	215	—	215	42,268
Capital assets:			—	
Land and other capital assets not being depreciated	277,694	24,508	302,202	567,914
Facilities, infrastructure, and equipment net of depreciation	1,152,410	220,865	1,373,275	1,504,360
TOTAL ASSETS	3,145,811	319,021	3,464,832	2,662,631
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized losses on refunding of debts	14,758	—	14,758	5,948
Deferred outflows of resources related to pensions	318,377	3,826	322,203	33,569
Deferred outflows of resources related to OPEB	39,111	19	39,130	14,894
TOTAL DEFERRED OUTFLOWS OF RESOURCES	372,246	3,845	376,091	54,411
LIABILITIES				
Accounts payable and other current liabilities	215,930	2,627	218,557	26,181
Accrued interest payable	26,027	56	26,083	7,060
Due to other governments	1,513	—	1,513	—
Due to primary government	—	—	—	10,136
Unearned revenue	5,750	—	5,750	32,682
Other	19,722	6	19,728	24,450
Non-current liabilities:				
Due within one year	201,704	2,618	204,322	74,471
Due in more than one year	848,407	29,072	877,479	961,820
Net pension liability	1,613,350	41,226	1,654,576	206,112
Net other post-employment benefits (OPEB) liability	828,065	12,578	840,643	99,866
TOTAL LIABILITIES	3,760,468	88,183	3,848,651	1,442,778
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	—	395	395	—
Deferred inflows of resources related to pensions	37,770	1,563	39,333	8,938
Deferred inflows of resources related to OPEB	231,400	4,600	236,000	1,640
TOTAL DEFERRED INFLOWS OF RESOURCES	269,170	6,558	275,728	10,578
NET POSITION				
Net investment in capital assets	1,144,031	213,288	1,357,319	1,155,256
Restricted for:				
Debt service	17,487	—	17,487	—
Housing and community development	327,226	—	327,226	—
Low and moderate income housing redevelopment	304,370	—	304,370	—
Other purposes	17,866	—	17,866	9,035
Unrestricted (deficit)	(2,322,561)	14,837	(2,307,724)	99,395
TOTAL NET POSITION	$ (511,581)	$ 228,125	$ (283,456)	$ 1,263,686

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Activities
Year Ended June 30, 2019
(In thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Port of Oakland**
Primary government:								
Governmental activities:								
General government	$ 199,697	$ 52,249	$ 498	$ 22,672	$ (124,278)	$ —	$ (124,278)	
Public safety	444,400	27,068	9,975	—	(407,357)	—	(407,357)	
Community and human services	142,719	7,677	46,355	—	(88,687)	—	(88,687)	
Community and economic development	103,099	69,513	14,181	—	(19,405)	—	(19,405)	
Public works and transportation	127,597	46,883	24,189	—	(56,525)	—	(56,525)	
Interest on long-term debt	60,432	—	—	—	(60,432)	—	(60,432)	
TOTAL GOVERNMENTAL ACTIVITIES	1,077,944	203,390	95,198	22,672	(756,684)	—	(756,684)	
Business-type activities:								
Sewer	50,831	66,558	—	—	—	15,727	15,727	
Parks and recreation	777	540	—	—	—	(237)	(237)	
TOTAL BUSINESS-TYPE ACTIVITIES	51,608	67,098	—	—	—	15,490	15,490	
TOTAL PRIMARY GOVERNMENT	$ 1,129,552	$ 270,488	$ 95,198	$ 22,672	(756,684)	15,490	(741,194)	
Component unit:								
Port of Oakland	$ 390,368	$ 396,997	$ 454	$ 8,238				$ 15,321
General revenues:								
Property taxes					358,446	—	358,446	—
State taxes (unrestricted intergovernmental revenues):								
Sales and use taxes					92,319	—	92,319	—
Gas tax					16,409	—	16,409	—
Motor vehicle in-lieu					206	—	206	—
Local taxes (own source revenues):								
Business license					99,733	—	99,733	—
Utility consumption					49,599	—	49,599	—
Real estate transfer					104,905	—	104,905	—
Transient occupancy					33,005	—	33,005	—
Parking					21,726	—	21,726	—
Voter approved special tax					59,682	—	59,682	—
Franchise					19,340	—	19,340	—
Interest and investment income					26,394	1,309	27,703	13,363
Other					31,457	14	31,471	34,015
Transfers					1,292	(1,292)	—	—
TOTAL GENERAL REVENUES AND TRANSFERS					914,513	31	914,544	47,378
Changes in net position					157,829	15,521	173,350	62,699
Net position - beginning					(669,410)	212,604	(456,806)	1,200,987
NET POSITION - ENDING					$ (511,581)	$ 228,125	$ (283,456)	$ 1,263,686

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2019
(In thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement Fund	Other Special Revenue Fund	Other Governmental Funds	Total
ASSETS							
Cash and investments	$ 459,435	$ 8,966	$ 32,012	$ 21,992	$ 197,864	$ 36,656	$ 756,925
Receivables (net of allowance for uncollectibles of $8,389)							
Accrued interest and dividends	2,231	4	102	103	969	151	3,560
Property taxes	7,873	—	—	—	2,815	2,897	13,585
Accounts receivable	47,326	5,283	3	408	4,774	6,573	64,367
Grants receivable	—	27,453	—	—	3,259	741	31,453
Due from Port	9,487	—	—	—	—	649	10,136
Due from ORSA trust fund	—	—	1,978	2,291	—	—	4,269
Due from other funds	27,697	—	—	—	—	—	27,697
Due from other governments	10,790	—	—	—	—	—	10,790
Notes and loans receivable (net of allowance for uncollectibles of $167,262 for the City)	7,006	134,282	239,993	35,384	895	—	417,560
Restricted cash and investments	57,437	150	1,557	131,988	—	4,489	195,621
Property held for resale	—	—	30,677	131,980	—	—	162,657
Other assets	50	100	—	—	29	36	215
TOTAL ASSETS	$ 629,332	$ 176,238	$ 306,322	$ 324,146	$ 210,605	$ 52,192	$ 1,698,835
LIABILITIES							
Accounts payable and accrued liabilities	$ 167,176	$ 15,630	$ 1,948	$ 4,151	$ 13,250	$ 8,556	$ 210,711
Due to other funds	—	15	—	18,354	—	2,339	20,708
Due to other governments	1,494	—	—	—	19	—	1,513
Unearned revenue	5,541	209	—	—	—	—	5,750
Other	3,116	2,883	4	2,505	8,877	2,330	19,715
TOTAL LIABILITIES	177,327	18,737	1,952	25,010	22,146	13,225	258,397
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	3,896	—	—	—	2,375	1,724	7,995
Unavailable revenue - notes and loans	7,006	134,282	239,946	35,257	895	—	417,386
Unavailable revenue - grants and others	14,008	14,148	—	198	1,497	476	30,327
Unavailable revenue - loans to ORSA	—	—	1,978	2,291	—	—	4,269
TOTAL DEFERRED INFLOWS	24,910	148,430	241,924	37,746	4,767	2,200	459,977
FUND BALANCES							
Restricted	240,247	9,071	62,446	261,390	—	32,541	605,695
Committed	14,648	—	—	—	25,279	1,669	41,596
Assigned	53,958	—	—	—	158,413	2,557	214,928
Unassigned	118,242	—	—	—	—	—	118,242
TOTAL FUND BALANCES	427,095	9,071	62,446	261,390	183,692	36,767	980,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 629,332	$ 176,238	$ 306,322	$ 324,146	$ 210,605	$ 52,192	$ 1,698,835

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities
June 30, 2019
(In thousands)

Fund balances - total governmental funds (page 23)		$ 980,461
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Primary government capital assets, net of depreciation	1,430,104	
Less: internal service funds' capital assets, net of depreciation	(43,354)	1,386,750
Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		157
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		
Interest payable on long-term debt of the primary government	(26,027)	
Less: interest payable on long-term debt of the internal service funds	360	(25,667)
Deferred inflows of resources recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the government-wide financial statements.		459,977
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Long-term liabilities	(1,050,111)	
Less: long-term liabilities for internal service funds	43,499	(1,006,612)
Deferred outflows of resources in governmental activities related to losses on refunding of debt are not financial resources and, therefore, are not reported in the governmental funds.		14,758
Net pension liability, net OPEB liability, and deferred outflows of resources and deferred inflows of resources related to pensions and OPEB on the government-wide statement of net position are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Net pension liability	(1,565,670)	
Deferred outflows of resources related to pensions	313,814	
Deferred inflows of resources related to pensions	(35,930)	
Net OPEB liability	(812,873)	
Deferred outflows of resources related to OPEB	38,728	
Deferred inflows of resources related to OPEB	(226,204)	(2,288,135)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communications equipment to individual funds. Assets, deferred outflows, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position.		(33,270)
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)		$ (511,581)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019
(In Thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Govern- mental Funds	Total
REVENUES							
Taxes:							
Property	$ 312,255	$ —	$ —	$ —	$ 17,105	$ 28,398	$ 357,758
Sales and use	62,054	—	—	—	—	30,265	92,319
Motor vehicle in-lieu	206	—	—	—	—	—	206
Gas	—	—	—	—	—	16,409	16,409
Local taxes	319,708	253	—	—	48,947	19,082	387,990
Licenses and permits	1,783	—	—	—	28,698	122	30,603
Fines and penalties	21,081	522	—	260	702	776	23,341
Interest and investment income	7,263	1,226	2,030	3,389	4,264	1,243	19,415
Charges for services	102,826	81	81	4,550	41,732	177	149,447
Federal and state grants and subventions	3,568	83,897	1,003	—	5,760	7,475	101,703
Annuity income	6,291	—	—	—	—	—	6,291
Other	3,399	5,076	9,786	4,321	989	2,640	26,211
TOTAL REVENUES	840,434	91,055	12,900	12,520	148,197	106,587	1,211,693
EXPENDITURES							
Current:							
General government	156,754	6,236	—	6,863	13,585	2,104	185,542
Public safety	438,500	8,329	—	38	22,122	1,407	470,396
Community and human services	44,656	46,699	78	—	51,131	6,447	149,011
Community and economic development	10,966	11,347	9,354	14,019	40,672	1,147	87,505
Public works and transportation	42,662	4,184	—	7,703	7,501	47,024	109,074
Capital outlay	749	19,700	—	32,391	2,971	20,789	76,600
Debt service:							
Principal repayment	3,702	—	—	—	—	51,534	55,236
Bond issuance cost	—	—	—	—	—	9	9
Interest charges	147	—	—	—	—	58,878	59,025
TOTAL EXPENDITURES	698,136	96,495	9,432	61,014	137,982	189,339	1,192,398
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,298	(5,440)	3,468	(48,494)	10,215	(82,752)	19,295
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	128	—	—	7,169	—	—	7,297
Insurance claims and settlements	—	—	—	—	82	—	82
Transfers in	5,878	7,659	2,464	—	19,967	75,775	111,743
Transfers out	(106,376)	(27)	—	(422)	(2,940)	(412)	(110,177)
TOTAL OTHER FINANCING SOURCES (USES)	(100,370)	7,632	2,464	6,747	17,109	75,363	8,945
NET CHANGE IN FUND BALANCES	41,928	2,192	5,932	(41,747)	27,324	(7,389)	28,240
Fund balances - beginning	385,167	6,879	56,514	303,137	156,368	44,156	952,221
FUND BALANCES - ENDING	$ 427,095	$ 9,071	$ 62,446	$ 261,390	$ 183,692	$ 36,767	$ 980,461

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities
Year Ended June 30, 2019
(In thousands)

Net change in fund balances - total governmental funds (page 25)		$ 28,240
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.		
Primary government:		
Capital asset acquisition	96,980	
Capital asset retirement	(2,330)	
Depreciation	(68,647)	26,003
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in the deferred inflows during the current period		20,217
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of financial resources, and therefore are not reported as expenditures in the governmental funds.		(45)
The repayment of principal of long-term debt consumes the current financing sources of the governmental funds. This is the amount by which principal retirement reduces the liabilities in the statement of net position.		55,236
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds.		
Amortization of bond premiums and discounts	1,926	
Amortization of prepaid bond insurance premium on long-term debt	(47)	
Amortization of deferred outflows of refunding loss	(1,245)	
Accreted interest on appreciation bonds	17,728	
Changes in accrued interest on bonds and notes payable	(1,202)	
Changes in Coliseum Authority pledged obligation	4,550	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	(24,512)	
Change on net OPEB liability and deferred outflows and inflows of resources related to OPEB	30,640	
Change on fair value of the interest swap agreement	779	28,617
Net expenses of activities of internal service funds is reported with governmental activities		(439)
CHANGE OF NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22)		$ 157,829

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Fund Net Position
Proprietary Funds
June 30, 2019
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 59,249	$ —	$ 59,249	$ 15,373
Interest receivable	289	—	289	90
Accounts receivable (net of allowance for uncollectibles of $1,340 for the enterprise funds)	14,410	5	14,415	56
Inventories	—	—	—	827
Restricted cash and investments	—	121	121	27,578
Prepaid expenses	19	—	19	38
Total current assets	73,967	126	74,093	43,962
Capital assets:				
Land and other assets not being depreciated	24,076	432	24,508	3,888
Facilities, equipment and infrastructure, net of depreciation	219,289	1,576	220,865	39,466
Total capital assets	243,365	2,008	245,373	43,354
TOTAL ASSETS	317,332	2,134	319,466	87,316
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,800	26	3,826	4,563
Deferred outflows of resources related to OPEB	19	—	19	383
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,819	26	3,845	4,946
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	2,627	—	2,627	5,219
Accrued interest payable	56	—	56	360
Due to other funds	2	443	445	6,539
Other liabilities	6	—	6	7
Bonds, capital leases, notes and other payables	2,618	—	2,618	14,551
Total current liabilities	5,309	443	5,752	26,676
Non-current liabilities:				
Bonds, capital leases, notes and other payables	29,072	—	29,072	28,948
Net pension liability	40,955	271	41,226	47,680
Net other postemployment benefit (OPEB) liability	12,480	98	12,578	15,192
Total non-current liabilities	82,507	369	82,876	91,820
TOTAL LIABILITIES	87,816	812	88,628	118,496
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	395	—	395	—
Deferred inflows of resources related to pensions	1,552	11	1,563	1,840
Deferred inflows of resources related to OPEB	4,571	29	4,600	5,196
TOTAL DEFERRED INFLOWS OF RESOURCES	6,518	40	6,558	7,036
NET POSITION				
Net investment in capital assets	211,280	2,008	213,288	27,433
Unrestricted (deficit)	15,537	(700)	14,837	(60,703)
TOTAL NET POSITION	$ 226,817	$ 1,308	$ 228,125	$ (33,270)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ —	$ 535	$ 535	$ —
Sewer services	66,555	5	66,560	—
Charges for services	—	—	—	88,549
Other	3	—	3	44
TOTAL OPERATING REVENUES	66,558	540	67,098	88,593
OPERATING EXPENSES				
Personnel	18,532	181	18,713	32,061
Supplies	541	219	760	9,984
Depreciation and amortization	6,399	187	6,586	13,178
Contractual services and supplies	1,914	—	1,914	9,257
Repairs and maintenance	7,646	—	7,646	7,337
General and administrative	5,320	169	5,489	8,123
Rental	1,419	16	1,435	2,322
Other	8,031	5	8,036	6,880
TOTAL OPERATING EXPENSES	49,802	777	50,579	89,142
OPERATING INCOME (LOSS)	16,756	(237)	16,519	(549)
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	1,316	(7)	1,309	688
Interest expense	(1,029)	—	(1,029)	(832)
Insurance claims and settlements	14	—	14	270
Other	—	—	—	258
TOTAL NON-OPERATING REVENUES (EXPENSES)	301	(7)	294	384
INCOME/(LOSS) BEFORE TRANSFERS	17,057	(244)	16,813	(165)
Transfers in	—	—	—	2,975
Transfers out	(1,292)	—	(1,292)	(3,249)
Change in net position	15,765	(244)	15,521	(439)
Net position - beginning	211,052	1,552	212,604	(32,831)
NET POSITION - ENDING	$ 226,817	$ 1,308	$ 228,125	$ (33,270)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 71,489	$ —	$ 71,489	$ 88,626
Cash received from tenants for rents	—	539	539	—
Cash from other sources	17	—	17	584
Cash paid to employees	(12,244)	(146)	(12,390)	(25,611)
Cash paid to suppliers	(25,509)	(409)	(25,918)	(42,901)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	33,753	(16)	33,737	20,698
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	—	62	62	113
Repayment of interfund loans	—	—	—	(2,496)
Transfers in	—	—	—	2,975
Transfers out	(1,292)	—	(1,292)	(3,249)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(1,292)	62	(1,230)	(2,657)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(15,634)	(71)	(15,705)	(10,349)
Long-term debt:				
Proceeds from issuance of debt	—	—	—	16,000
Repayment of long term debt	(2,235)	—	(2,235)	(11,736)
Interest paid on long-term debt	(1,412)	—	(1,412)	(795)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(19,281)	(71)	(19,352)	(6,880)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	1,196	(7)	1,189	655
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,376	(32)	14,344	11,816
Cash and cash equivalents - beginning	44,873	153	45,026	31,135
CASH AND CASH EQUIVALENTS - ENDING	$ 59,249	$ 121	$ 59,370	$ 42,951
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 16,756	$ (237)	$ 16,519	$ (549)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	6,399	187	6,586	13,178
Miscellaneous non-operating revenue (expenses)	14	—	14	528
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Receivables	4,934	(1)	4,933	77
Inventories	—	—	—	84
Accounts payable and accrued liabilities	(638)	—	(638)	930
Net pension liability and related pension deferred items	778	—	778	6,185
Net OPEB liability and related OPEB deferred items	5,510	35	5,545	265
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 33,753	$ (16)	$ 33,737	$ 20,698
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 59,249	$ —	$ 59,249	$ 15,373
Restricted cash and investments	—	121	121	27,578
TOTAL CASH AND CASH EQUIVALENTS	$ 59,249	$ 121	$ 59,370	$ 42,951
NON CASH ITEMS:				
Amortization of bond premiums	$ 39	$ —	$ 39	$ —

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and investments	$ 6,484	$ 72,044
Receivables:		
Accrued interest and dividends	885	652
Accounts receivable	—	15
Investments and others	3,543	—
Due from other funds of the City	—	2,705
Prepaid expenses	—	1,745
Restricted:		
Cash and investments:		
Short-term investments	12,580	11,997
U.S. corporate bonds and mutual funds	120,250	—
Domestic equities and mutual funds	151,451	—
International equities and mutual funds	46,731	—
Alternative investments	55,213	—
Total restricted cash and investments	386,225	11,997
Securities lending collateral	34,020	—
Loans receivable, net of allowance for uncollectibles of $46,675	—	8,359
Property held for resale	—	2,818
TOTAL ASSETS	431,157	100,335
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of debt	—	13,739
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	12,428	974
Accrued interest payable	—	5,337
Due to other funds of the City	—	4,274
Securities lending liabilities	34,018	—
Other	—	(179)
Total current liabilities	46,446	10,406
Non-current liabilities:		
Due within one year	—	31,901
Due in more than one year	—	291,755
Total non-current liabilities	—	323,656
TOTAL LIABILITIES	46,446	334,062
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized gain on refunding of debt	—	415
NET POSITION RESTRICTED FOR:		
Employees' pension benefits	384,711	—
Redevelopment dissolution and other purposes	—	(220,403)
TOTAL NET POSITION	$ 384,711	$ (220,403)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Trust receipts	$ —	$ 64,768
Contributions:		
Employer	44,821	—
Investment income:		
Net appreciation in fair value of investments	16,624	—
Interest	3,737	1,716
Dividends	2,431	—
Securities lending	93	—
TOTAL INVESTMENT INCOME	22,885	1,716
Less investment expenses:		
Investment expenses	(1,333)	—
NET INVESTMENT INCOME	21,552	1,716
Federal and state grants	—	219
Claims and settlements	14	—
Other income	6	254
TOTAL ADDITIONS	66,393	66,957
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	34,238	—
Disability	20,160	—
Death	1,814	—
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	56,212	—
Administrative expenses	1,446	4,292
Public safety	—	95
Community and human services	—	129
Economic and workforce development	—	1,880
Other	—	8,477
Interest on debt	—	14,714
TOTAL DEDUCTIONS	57,658	29,587
Change in net position	8,735	37,370
Net position - beginning	375,976	(257,773)
NET POSITION - ENDING	$ 384,711	$ (220,403)

The notes to the basic financial statements are an integral part of this statement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Primary Government

The City of Oakland, California (the City or Primary Government) was incorporated on May 25, 1852, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units are classified as blended, discretely presented or fiduciary. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements.

Fiduciary Component Unit

Oakland Redevelopment Successor Agency (ORSA) - On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At the City's meeting on January 10, 2012, the City Council affirmed its decision as part of resolution number 83679 C.M.S. to serve as the ORSA, effective February 1, 2012, and as such is a fiduciary component unit of the City. Also, in the same meeting, the City Council elected as part of resolution number 83680 C.M.S. to retain the housing assets, functions, and powers previously performed by the former Redevelopment Agency of the City of Oakland (Former Agency).

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the Former Agency. The ORSA is a separate public entity from the City, with the Oakland City Council serving as its governing board, subject to the direction of an Oversight Board. Pursuant to SB 107, as of June 30, 2019, there are seven Countywide Oversight Board members as follows:

- One appointed by the County Board of Supervisors,
- One appointed by the City selection committee,
- One appointed by the independent Special District Selection Committee,
- One appointed by the County Superintendent of Education,
- One appointed by the Chancellor of the California Community Colleges,
- One member of the public, and
- One member appointed by the recognized employee organization representing the largest number of successor agency employees in the County.

In general, the ORSA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). ORSA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Former Agency until all enforceable obligations of the Former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the ORSA's custodial role, ORSA is reported in a fiduciary fund (private purpose trust fund) in the City's financial statements.

ORSA's separately issued financial statements may be obtained as follows:

Finance Department, Controller's Bureau
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612

Blended Component Unit

Oakland Joint Powers Financing Authority (JPFA) - JPFA was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and was composed of the City and the Former Agency. The Oakland City Council serves as the governing board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the statement of net position. AB X1 26 as amended by AB 1484 was enacted and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The dissolution law provides that ORSA is a separate legal entity from the City, with ORSA holding all of the transferred assets and obligations of the Former Agency (other than the housing assets). Therefore, ORSA assumed the Former Agency's role as a member of the JPFA as of February 1, 2012, pursuant to AB X1 26.

Discretely Presented Component Unit

Port of Oakland (Port) – The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (Board of Commissioners) that is appointed by the City Council, upon nomination by the Mayor. The Board of Commissioners appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

The Port's separately issued Comprehensive Annual Financial Report may be obtained as follows:

Port of Oakland
Port Financial Services Division
530 Water Street
Oakland, CA 94607

B. FINANCIAL STATEMENT PRESENTATION

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component unit for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business license taxes, utility and real estate transfer taxes, other unrestricted local taxes, interest and investment income, and charges for services.

The ***Federal/State Grant Fund*** accounts for various Federal and State grants and certain state allocations used or expended for a specific purpose, activity or program.

The ***Low and Moderate Income Housing Asset Fund (LMIHF)*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing program retained by the City following the dissolution of the Former Agency. Prior to the dissolution of redevelopment agencies, the LMIHF accounted for the Former Agency's affordable housing activities, including the 20% redevelopment property tax revenue set-aside for low and moderate income housing and related expenditures. Upon dissolution of the Former Agency and the City Council's election to retain the housing activities previously funded by the Former Agency, the City created LMIHF and transferred the assets and affordable housing activities.

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to capital improvement funds, which includes mainly capital financing projects funds:

- *Oakland Redevelopment Successor Agency* - Unspent bond proceeds transferred to the City. The California Department of Finance approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The Bond Spending Plan allows

ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

- *Measure DD* - Capital improvement bond financing funds for clean water, safe parks, and open space trust for the City.
- *Measure KK* - Capital improvement bond financing funds to improve public safety and finance transportation infrastructure improvements, affordable housing, and neighborhood services.
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot Space and Science Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for vehicles and equipment, and telecommunications.
- *Other miscellaneous capital improvement funds -* The fund comprises other municipal capital improvement funds, which may be used for the lease, acquisition, construction, or other improvements of public facilities.

The ***Other Special Revenue Fund*** accounts for activities of several Special Revenue Funds, which include mainly the following local measures and funds:

- *Measure Z: The Public Safety and Services Violence Prevention Act of 2014.* The measure provides for the following services: Community Resource Officers, crime reduction teams, fire services, and violence prevention strategies (Oakland Unite).
- *Measure C - Oakland Hotel Tax.* This additional transient occupancy tax was approved to fund the following entities: Oakland Convention and Visitors Bureau 50%, Oakland Zoo 12.5%, Oakland Museum of California 12.5%, Chabot Space and Science Center 12.5%, and the City Cultural Arts Programs and Festivals 12.5%.
- *Measure Q - Library Services Retention and Enhancement.* In March 2004, the electorate of Oakland approved, by more than a two-thirds majority, the extension of the Library Services and Retention Act, Measure Q (formerly known as Measure O). The act re-authorized and increased a special parcel tax on residential and non-residential parcels for the purpose of raising revenue to retain and enhance library services. The term of the tax is 20 years, commencing July 1, 2004 and ending June 30, 2024.
- *Measure D - 2018 Oakland Public Library Preservation Act.* This additional parcel tax was approved by Oakland voters in June 2018, establishing a supplementary funding source for library services, material, and programs. The term of the tax is 20 years, commencing July 1, 2018 and ending June 30, 2038.
- *Measure WW - East Bay Regional Park District local grant program*. The funds are for various Oakland parks and open space renovation projects.
- *Measure N - Paramedics Services Act*. The revenue from the measure increases, enhances, and supports paramedic services in the City.
- *Oakland Kids' First Fund.* The charter requires 3 percent of the City's unrestricted general purpose fund revenues for the fund. The funds provide additional funding for programs and services benefiting children and youth.
- *Development Services Fund.* The revenue sources for the development service fund will be the fees and penalties for development and enforcement activities, such as land use, permit, inspection, and abatement services for both direct and indirect costs.
- *Other miscellaneous special revenue funds.* Accounts for several other restricted monies that are classified as special revenue funds.

The City reports the following major enterprise fund:

The ***Sewer Service Fund*** accounts for the sewer service charges received by the City based on the use of water by East Bay Municipal Utility District customers residing in the City. The proceeds from the sewer charges are used for the construction and maintenance of sanitary sewers and storm drains and the administrative costs of the fund.

Additionally, the City reports the following funds:

The ***Internal Service Funds*** account for the purchases of automotive and rolling equipment; radio and other communication equipment; the repair and maintenance of City facilities; acquisition, maintenance and provision of reproduction equipment and services; acquisition of inventory provided to various City departments on a cost reimbursement basis; procurement of materials, supplies, and services for City departments; and the service and maintenance of City information technology systems.

The ***Pension Trust Fund*** accounts for the closed benefit plan that covers uniformed employees hired prior to July 1976.

The ***Private Purpose Trust Funds*** include: (a) the Oakland Redevelopment Successor Agency Trust Fund, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment Successor Agency with passage of AB X1 26; (b) the Other Private Purpose Trust Fund, which accounts for assets and liabilities from the Former Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to the Former Agency projects or parks, recreation and cultural, activities; and (c) the Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered available. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred inflows of resources.

Charges between the City and the Port are not eliminated because the elimination of these charges would distort the direct costs and revenues reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: sewers, golf courses, vehicle acquisition and maintenance, radio and telecommunication support charges, charges for facilities maintenance, and reproduction services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

E. New Pronouncements

During the year ended June 30, 2019, the City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Additional detail is included in Note II, part G.

The City's adoption of GASB Statement No. 83, *Certain Asset Retirement Obligations* did not have a material impact on the City's June 30, 2019 financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of the statement is to improve the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the consistency of information about governments' leasing activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the City's fiscal year ending June 30, 2022.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the ORSA and the Police and Fire Retirement System (PFRS), whose funds are held by outside custodians. The City measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in income for that fiscal year.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

For purposes of the statement of cash flows, the City considers all highly liquid unrestricted and restricted investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

2. Property Taxes

The County of Alameda is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property on January 1. Property taxes are then due in two equal installments-the first on November 1 and the second on February 1 of the following calendar year and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2019.

3. Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions and borrowings occur between individual funds for goods provided or services rendered and funds that have overdrawn their share of pooled cash and interfund loans. In the fund financial statements, these receivables and payables are classified as "due from other funds" and "due to other funds", respectively. In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type

4. Interfund Transfers

In the fund financial statements, interfund transfers are recorded as transfers in/out except for certain types of transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

5. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses. In the government-wide, proprietary fund, and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortizations of bond premiums and discounts and gains or losses from refunding of debt are recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is calculated using the average cost method. Inventory items are considered expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers, and storm drains, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life is not capitalized.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for, and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

The City's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Sewer and storm drains	50 years
Infrastructure	5-50 years

The Port's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	5-50 years
Container cranes	25 years
Systems and structures	10-50 years
Other equipment	3-40 years
Software	3-10 years

8. Property Held for Resale

Property held for resale was acquired as part of the Former Agency's redevelopment program. These properties are both residential and commercial. Costs of administering the projects are charged to the municipal capital improvement fund as expenditures are incurred. A primary function of the redevelopment process is to prepare land for specific private development. For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

During the period it is held by the City, property held for resale may generate rental or operating income. This income is recognized as it is earned in the City's statement of activities and generally is recognized in the City's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The City does not depreciate property held for resale, as it is the intention of the City to only hold the property for a period of time until it can be resold for development.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for *deferred outflows of resourc*es. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pension and OPEB contributions subsequent to measurement date and other pension and OPEB related deferred outflows. Also, losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Amortization of these balances is recorded as a component of interest expense.

In addition to liabilities, the statement of net position and governmental funds balance sheet will report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, notes and loan receivables, grant receivables/advances from the federal government and State, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available. The City also has deferred inflows of resources related to the unamortized gains on refunding of debt and pension and OPEB related deferred inflows.

10. Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

The City's policy and its agreements with employee groups permit employees to accumulate earned but unused vested vacation, sick leave and other compensatory time. All earned compensatory time is accrued when incurred in the government-wide financial statements and the proprietary funds financial statements. A liability for these amounts is reported in the governmental funds only if they are due and payable.

11. Retirement Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (CalPERS) (collectively, the Retirement Plans). For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plans and additions to/deductions from the Retirement Plans' fiduciary net position have been determined on the same basis as they are reported by PFRS and CalPERS. Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note III, part A for additional information.

12. Other Postemployment Benefits (OPEB)

The City's OPEB plan covers the City's police, fire, and other (miscellaneous) employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for CalPERS were public safety employees retirements benefits under a 3 percent at 50 formula and miscellaneous employees retirement benefits under a 2.7 percent at 55 formula. In addition, the Port's Retiree Healthcare Plan covers the Port's employees. Refer to Note III, part B for additional information.

13. Pollution Remediation Obligations

Under the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recorded remediation liabilities related to its pollution remediation activities. See Note III, part C for additional information.

14. Fund Balances

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Restricted Fund Balance:* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.

- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by City Council ordinance, which is the City's highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

- *Assigned Fund Balance*: comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which includes appropriations and revenue sources pertaining to the next fiscal year's budget. The City Council adopted a resolution establishing the City's policy budget, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Administrator to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This category includes the City's encumbrances, project carry-forwards, and continuing appropriations.

- *Unassigned Fund Balance*: are amounts technically available for any purpose. It is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other three fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2019, were distributed as follows (in thousands):

	General	Federal/State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ —	$ 9,071	$ 1,557	$ 129,410	$ —	$ 15,476	$ 155,514
Pension obligations annuity	57,436	—	—	—	—	—	57,436
Pension obligations PFRS	182,811	—	—	—	—	—	182,811
Debt service	—	—	—	—	—	17,065	17,065
Property held for sale	—	—	30,677	131,980	—	—	162,657
Housing projects	—	—	30,212	—	—	—	30,212
Total restricted	240,247	9,071	62,446	261,390	—	32,541	605,695
Committed for:							
Vital services	14,648	—	—	—	—	—	14,648
Library, Kids First and museum trust	—	—	—	—	25,279	1,669	26,948
Total committed	14,648	—	—	—	25,279	1,669	41,596
Assigned for:							
Capital projects	44,362	—	—	—	158,413	2,557	205,332
Encumbrances	9,596	—	—	—	—	—	9,596
Total assigned	53,958	—	—	—	158,413	2,557	214,928
Unassigned	118,242	—	—	—	—	—	118,242
Total	**$ 427,095**	**$ 9,071**	**$ 62,446**	**$ 261,390**	**$ 183,692**	**$ 36,767**	**$ 980,461**

[1] Low and Moderate Income Housing Asset Fund

General Fund Balance Reserve Policy: The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

On May 15, 2018, the City Council revised the definition and use of excess Real Estate Transfer Tax (RETT) revenues and the use of one-time revenues (Ordinance No. 13487 C.M.S.). The policy defines excess Real Estate Transfer Tax as any amounts of RETT revenues whose value exceeds 15 percent of the corresponding GPF Tax Revenues (inclusive of RETT). The excess RETT shall be used in the following manner:

- At least 25 percent shall be allocated to the Vital Services Stabilization Fund until the value in such fund is projected to equal to 15 percent of General Purpose Fund revenues over the coming fiscal year.
- At least 25 percent shall be used to fund accelerated debt retirement and unfunded long-term obligations, including negative funds balances, the PFRS liability, other unfunded retirement and pension liabilities, unfunded paid leave liabilities, and OPEB liabilities.
- The remainder shall be used to fund one-time expenses, augment the General Purpose Fund Emergency Reserve, and to augment the Capital Improvements Reserve Fund.

Use of the "excess" RETT revenue for purposes other than those established above may only be allowed by majority vote of the City Council through a separate resolution.

The policy also requires the City to conform to the following regarding the use of one-time discretionary revenue:

- Fiscal prudence requires that any unrestricted one-time revenues be used for one-time expenses. Therefore, one-time revenues shall be used in the following manner, unless they are legally restricted to other purposes: to fund one-time expenditures, to fund debt retirement and unfunded long-term obligations such as negative fund balances, PFRS unfunded liabilities, CalPERS pension unfunded liabilities, paid leave unfunded liabilities, and OPEB unfunded liabilities; or shall remain as fund balance.

Use of "one-time revenues" for purposes other than those established may only be allowed by a majority vote of the City Council through a separate resolution. Additionally, the policy includes the requirement that the City maintain a Vital Services Stabilization Fund (VSSF). In years when the City forecasts that total GPF revenues will be less than the current year's revenues, or anytime significant service reductions, such as layoffs or furloughs, are contemplated due to adverse financial conditions, use of this fund must be considered to maintain existing services. Use of the VSSF must be authorized by City Council resolution. The resolution shall explain the need for using the VSSF. The resolution shall also include steps the City will take in order to replenish the VSSF in future years. At June 30, 2019, the General Fund reported the Vital Services Stabilization reserve of $14.6 million as committed fund balance.

As of June 30, 2019, the City has $118.2 million of unassigned General Fund balance of which $86.2 million is the GPF fund balance and the remainder represents amounts supporting the Keep Oakland Clean and Beautiful program, environmental services, off-street parking management, and affordable housing. The GPF fund balance of $86.2 million includes $48.8 million set aside to meet the mandated 7.5 percent required reserve.

15. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and debt-related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* represents net position that has external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

II DETAILED NOTES ON ALL FUNDS

A. CASH, DEPOSIT, AND INVESTMENTS

The City maintains a cash and investment pool consisting of City funds and cash held for PFRS and the Port. The City's funds are invested according to the investment policy adopted by the City Council. The objectives of the policy are legality, safety, liquidity, diversity, and yield. The policy addresses soundness of financial institutions in which the City can deposit funds, types of investment instruments permitted by the California Government Code, duration of the investments, and the percentage of the portfolio that may be invested in:

Investment Type	Maximum Maturity	Maximum Portfolio Exposure	Maximum Issuer Exposure	Credit Requirement
U.S. Treasury Securities	5 years	20%	n/a	n/a
Federal Agencies and Instrumentalities	5 years	None	n/a	n/a
Banker's Acceptances	180 days	40%	5%	A1, P1 or F1 or better
Commercial Paper	270 days	25%	5%	A1, P1 or F1 or better
Asset-backed Commercial Paper	270 days	25%	5%	A1, P1 or F1 or better
Local Government Investment Pools	n/a	20%	n/a	Top ranking
Medium Term Notes	5 years	30%	5%	A3, A- or A- or better
Negotiable Certificates of Deposits	5 years	30%	5%	A, A2 or A or better
Repurchase Agreements	360 days	none	n/a	Collateral limited to US securities
Reverse Repurchase Agreements	92 days	20%	n/a	Limited to primary dealers
Secured Obligations and Agreements	2 years	20%	5%	AA or better
Certificates of Deposit	360 days	n/a	n/a	n/a
Money Market Mutual Funds	n/a	20%	n/a	Top ranking
State Investment Pool (LAIF)	n/a	none	n/a	n/a
Local City/Agency Bonds	5 years	none	5%	n/a
State of California Obligations and Others	5 years	none	5%	n/a
Other Local Agency Bonds	5 years	none	5%	n/a
Deposits - Private Placement	n/a	30%	10%	n/a
Supranationals	5 years	30%	n/a	AA or better

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production.

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

As of June 30, 2019, total City cash, deposits, and investments at fair value are as follows (in thousands):

	Primary Government		Fiduciary Funds			Component Unit
	Governmental Activities	Business-type Activities	Pension Trust Fund	Private Purpose Trust Funds	Total	Port
Cash and investments	$ 772,298	$ 59,249	$ 6,484	$ 72,044	$ 910,075	$ 448,988
Restricted cash and investments	223,199	121	386,225	11,997	621,542	64,247
Securities lending collateral	—	—	34,020	—	34,020	—
Total	**$ 995,497**	**$ 59,370**	**$ 426,729**	**$ 84,041**	**$ 1,565,637**	**$ 513,235**

	Total	Port
City pooled deposits	$ 21,184	$ —
City pooled investments	820,030	453,873
City restricted investments	224,230	—
PFRS restricted investments	420,245	—
ORSA deposits	4,550	—
ORSA investments	75,398	—
Port's cash and investments	—	59,362
Total	**$ 1,565,637**	**$ 513,235**

Primary Government

Hierarchy of Inputs: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Fixed income investments are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, and other market related data and classified in Level 2 of the fair value hierarchy. Money market mutual funds and LAIF have maturities of one year or less from fiscal year end and are not subject to GASB Statement No. 72.

The City's pooled and restricted investments have the following recurring fair value measurements as of June 30, 2019 (in thousands):

	Level Two	Level Three	Total
Investment by fair value level:			
U.S. Govt. Agency Securities	$ 1,123,856	$ —	$ 1,123,856
Medium Term Notes	2,006	—	2,006
Negotiable Certificates of Deposit	23,011	—	23,011
Commercial Paper	364	—	364
Annuity Contracts	—	55,000	55,000
Total investments by fair value level	**$ 1,149,237**	**$ 55,000**	**$ 1,204,237**
Investments measured at net asset value (NAV):			
Money Market Mutual Funds			228,785
Local Agency Investment Fund (LAIF)			65,111
Total investment measured at fair value			**$ 1,498,133**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the City may be unable to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement.

At June 30, 2019, the carrying amount of the City's deposits was $21.2 million. Deposits include checking accounts, interest earning savings accounts, and money market accounts. The bank balance of $19.6 million was covered by FDIC insurance or collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that a financial institution secure its deposits made by state or local government units by pledging securities in an undivided collateral pool held by the depository regulated under the state law (unless so waived by the government units). The market value of the pledged government securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110 percent and 150 percent, respectively, of the deposit amount. The collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality securities. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard & Poor's (S&P), at the time security is purchased. Long-term debt shall be rated at least A by S&P. Per the California Debt and Management Advisory Commission (CDIAC), it is recommended that the portfolio be monitored, as practical, for subsequent changes in credit rating of existing securities.

The following tables show the City's credit risk for the pooled and restricted investment portfolios as of June 30, 2019 (in thousands):

Pooled Investments

		Ratings as of June 30, 2019				
	Fair Value	**AAA**	**AA**	**A**	**A-1**	**Not Rated**
U.S Government Agency Securities	$ 647,045	$ —	$ 647,045	$ —	$ —	$ —
U.S Government Agency Securities (Discount)	438,730	—	438,730	—	—	—
Medium Term Notes	2,006	—	—	2,006	—	—
Money Market Mutual Funds	98,000	98,000	—	—	—	—
Local Agency Investments Fund (LAIF)	65,111	—	—	—	—	65,111
Negotiable Certificates of Deposit	23,011	—	—	—	23,011	—
Total pooled investments	**$ 1,273,903**	**$ 98,000**	**$1,085,775**	**$ 2,006**	**$ 23,011**	**$ 65,111**

Restricted Investments

		Ratings as of June 30, 2019			
	Fair Value	**AAA**	**AA**	**A-1**	**Not Rated**
U.S Government Agency Securities	$ 35,093	$ —	$ 35,093	$ —	$ —
U.S Government Agency Securities (Discount)	2,988	—	2,988	—	—
Money Market Mutual Funds	130,785	129,107	—	—	1,678
Commercial Paper (Discount)	364	—	—	364	—
Annuity Contracts	55,000	—	—	—	55,000
Total Restricted Investments	**$ 224,230**	**$ 129,107**	**$ 38,081**	**$ 364**	**$ 56,678**

Concentration of Credit Risk: The City has an Investment Policy related to the City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund, and proceeds of or pledged revenues for any tax and revenue anticipation notes. Per the Investment Policy, investments should conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy. Certain other investments are governed by bond covenants, which do not restrict the amount of investment in any one issuer.

Investments in one issuer that exceed 5 percent of the City's investment portfolio at June 30, 2019 are as follows (in thousands):

Investment Type/Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 364,723	24.3%
Federal Home Loan Bank	498,027	33.2%
Federal Home Loan Mortgage Corporation	249,996	16.7%

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. The longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates.

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are limited to 360 days and 270 days, respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of short-term and long-term investments to minimize such risks.

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2019, the City had the following investments and original maturities (in thousands):

Pooled Investments

			Maturity		
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1-3 Years**	**3-5 Years**
U.S. Government Agency Securities	$ 647,045	1.50-4.46	$ 292,921	$ 307,004	$ 47,120
U.S. Government Agency Securities (Discount)	438,730	2.02-2.22	438,730	—	—
Medium Term Notes	2,006	2.47	—	2,006	—
Money Market Mutual Funds	98,000	2.25-2.30	98,000	—	—
Local Agency Investment Fund (LAIF)	65,111	2.43	65,111	—	—
Negotiable Certificates of Deposit	23,011	2.18-2.52	23,011	—	—
Total pooled investments	**$ 1,273,903**		**$ 917,773**	**$ 309,010**	**$ 47,120**

Restricted Investments

Investment Type	Fair Value	Interest Rates (%)	Maturity: 12 Months or Less	Maturity: 1-3 Years	Maturity: 3-5 Years	Maturity: 5 Years or More
U.S. Government Agency Securities	$ 35,093	1.99-2.49	$ 32,988	$ 2,105	$ —	$ —
U.S. Government Agency Securities (Discount)	2,988	2.17	2,988	—	—	—
Money Market Mutual Funds	130,785	1.84-2.26	130,785	—	—	—
Commercial Paper (Discount)	364	2.34	364	—	—	—
Annuity Contracts	55,000	2.05	—	—	—	55,000
Total restricted investments	**$ 224,230**		**$ 167,125**	**$ 2,105**	**$ —**	**$ 55,000**

Other Disclosures: As of June 30, 2019, the City's investment in LAIF is $65.1 million. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $105.7 billion, 98.2 percent is invested in non-derivative financial products and 1.8 percent in structured notes and asset-backed securities. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different from the fair value of the City's position in the pool.

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2019, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. As of June 30, 2019, PFRS' share of the City's investment pool totaled $6.5 million. As of June 30, 2019, PFRS also had cash and cash deposits not held in the City's investment pool that totaled $13 thousand.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income instruments including U.S. Treasury notes and bonds, government agency mortgage-backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, Yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares, which are managed internally. During the year ended June 30, 2019, the number of external investment managers was twelve.

The PFRS investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50 percent equities and 50 percent fixed income to the Prudent Person Standard as defined by the California Constitution.

PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS' investment policy allows the fixed income managers to invest in fixed income investments and some exposure to investments below an investment grade rating of B-, as long as the portfolio maintains an average credit quality of BBB (investment grade using Standard & Poor's, Moody's, or Fitch ratings).

PFRS' investment policy states that investments in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20 percent of a broker account's fair value with no more than 5 percent in any one issue. CMOs are mortgage-backed securities that create separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of CMOs are considered sensitive to interest rate changes because they have embedded options.

The investment policy allows for each fixed income asset manager to have a maximum of 10 percent of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25 percent in each manager's portfolio.

The following was PFRS' adopted asset allocation as of June 30, 2019:

Asset Class	Target Allocation
Fixed income	21 %
Credit	2 %
Covered calls	5 %
Domestic equity	40 %
International equity	12 %
Crisis risk offset	20 %
Total	**100%**

The PFRS Board's target allocation does not include cash and cash equivalents, which are designated for approved administrative budget purposes.

Hierarchy of Inputs: The PFRS has the following recurring fair value measurements as of June 30, 2019 (in thousands):

	Level One	Level Two	Level Three	Total
Investment by fair value level:				
Short-term investments	$ —	$ 2,486	$ —	$ 2,486
Bonds	13,419	98,871	—	112,290
Domestic equities and mutual funds	64,822	—	—	64,822
International equities and mutual funds	33,045	—	2	33,047
Alternative investments	30,913	—	—	30,913
Total Investments by fair value level	**$ 142,199**	**$ 101,357**	**$ 2**	**243,558**
Investments measured at net asset value (NAV):				
Short-term investments				10,094
Fixed income funds				7,960
Domestic equities and mutual funds				86,629
International equities and mutual funds				13,684
Hedge funds				24,300
Securities lending collateral				34,020
Total investments measured at NAV				176,687
Total				**$ 420,245**

As of June 30, 2019, PFRS' hedge fund investment has monthly liquidity with a notice period of 5 days.

Interest Rate Risk: PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 6.92 years as of June 30, 2019.

As of June 30, 2019, PFRS had the following fixed income investments by category (in thousands):

Investment Type	Fair Value	Modified Duration (Years)
Short-Term Investment Funds	$ 12,580	n/a
Fixed Income Investments:		
Government bonds:		
U.S. Treasuries	$ 18,478	6.42
U.S. Government Agency Securities	34,766	7.45
Total Government Bonds	53,244	
Corporate Bonds	67,006	6.79
Total long-term investment duration	**$ 120,250**	**6.92**
Securities Lending	**$ 34,020**	

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in CMOs, which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2019 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investment
Mortgage-Backed Securities	3.88%	25.76	$ 26,461	6.30%

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2019 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P/ Moody's Rating	Fair Value
Short-Term Investments Funds	Not Rated	$ 12,580

The following tables provide information as of June 30, 2019 concerning the credit risk of fixed income investments by long-term investment rating (in thousands):

S&P/ Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 41,410	34.4 %
AA/Aa	28,801	24.0 %
A/A	13,191	11.0 %
BBB/Baa	14,584	12.1 %
BB/Ba	885	0.7 %
Unrated	21,379	17.8 %
Total fixed income investments	**$ 120,250**	**100.0%**

As of June 30, 2019, the securities lending collateral of $34.0 million was not rated.

Custodial Credit Risk: The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

Concentrations of Credit Risk: As of June 30, 2019, PFRS' investments in the Northern Trust Russell 1000 Growth Index Fund and the Parametric Research Affiliates Systematic U.S. Fund represented 22.5 percent of its fiduciary net position.

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25 percent of the portfolio value.

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2019 (in thousands):

Foreign Currency		
Australian Dollar	$	727
British Pound		3,881
Canadian Dollar		191
Danish Krone		1,047
Euro		9,930
Hong Kong Dollar		2,807
Indonesian Rupiah		337
Japanese Yen		4,060
Mexican Peso		621
Norwegian Krone		173
Singapore Dollar		330
Swedish Krona		448
Swiss Franc		1,513
Total foreign currency	$	26,065

Securities Lending Transactions: PFRS's investment policy authorizes participation in securities lending transactions, which are short-term collateralized loans of PFRS's securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the collateral received. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

The administrator of the PFRS's securities lending activities is responsible for maintaining an adequate level of collateral in an amount equal to at least 102 percent of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

As of June 30, 2019, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with the administrator requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2019 (in thousands):

	Securities Lending		
	Fair Value of Loaned Securities		
	For Cash Collateral	For Non-Cash Collateral	Total
Securities on loan:			
U.S. Government and Agencies	$ 10,532	$ 4,120	$ 14,652
U.S. Corporate Bonds	5,351	—	5,351
U.S. Equity	17,537	635	18,172
Non-U.S. Equity	—	968	968
Total Securities On Loan	**$ 33,420**	**$ 5,723**	**$ 39,143**
Collateral Received	**$ 34,018**	**$ 5,914**	**$ 39,932**

Derivative Instruments: PFRS reports its derivative instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Pursuant to the requirements of this statement, PFRS has provided a summary of derivative instrument activities during the reporting periods presented and the related risks.

As of June 30, 2019, the derivative instruments held by PFRS are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by PFRS's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2019 (in thousands):

Derivative Type/Contract	Notional Amount	Fair Value	Net Appreciation in Fair Value
Options			
Equity contracts	$ —	$ (589)	$ (264)
Swaps			
Credit contracts	1,660	75	9
Total	**$ 1,660**	**$ (514)**	**$ (255)**

Counterparty Credit Risk – As of June 30, 2019, PFRS is not exposed to credit risk on non-exchange traded derivative instruments that are in asset positions.

Custodial Credit Risk - The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2019, all of PFRS's investments in derivative instruments are held in PFRS's name and are not exposed to custodial credit risk.

Interest Rate Risk - The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2019 (in thousands):

		Maturities	
Derivative Type/Contract	**Fair Value**	**Less than 1 Year**	**1-5 years**
Options			
Equity contracts	$ (589)	$ (589)	$ —
Swaps			
Credit contracts	75	—	75
Total	**$ (514)**	**$ (589)**	**$ 75**

Foreign Currency Risk - At June 30, 2019, PFRS is not exposed to foreign currency risk for its derivative instruments.

Contingent Features - At June 30, 2019, PFRS held no positions in derivatives containing contingent features.

Oakland Redevelopment Successor Agency

The ORSA's cash and investment consists of the following at June 30, 2019 (in thousands):

Cash and Investments	**Amount**
Unrestricted cash and investments	
Demand deposits	$ 4,550
Investments	63,401
Total unrestricted cash and investments	67,951
Restricted cash and investments	11,997
Total cash and investments	**$ 79,948**

Investments: The ORSA follows the City's Investment Policy, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. The ORSA also has investments subject to provisions of the bond indentures of the former Agency's various bond issues. According to the Investment Policy and bond indentures, the ORSA is permitted to invest in the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other permitted investments. Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds.

The ORSA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2019, the ORSA does not have any of its investments using Level 1 and 3 inputs. The ORSA has the following recurring fair value measurements as of June 30, 2019 (in thousands):

	Significant other observable inputs (Level 2)	Investments measured at the net asset value (NAV)
Unrestricted investments:		
U.S. Government Agency Securities	$ 2,997	$ —
U.S. Government Agency Securities (Discount)	52,904	—
Money Market Mutual Funds	—	7,500
Restricted investments:		
U.S. Government Agency Securities	6,013	—
Money Market Mutual Funds	—	5,984
Total	$ 61,914	$ 13,484

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ORSA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ORSA will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of ORSA's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is held in the ORSA's name.

As of June 30, 2019, the carrying amount of the ORSA's deposits was $4.6 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.2 million, and the remaining bank balance of $4.4 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

ORSA invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the ORSA employs the trust department of a bank or trustee as the custodian of certain ORSA investments, regardless of their form.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The ORSA's Investment Policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

Interest Rate Risk: Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity.

As of June 30, 2019, ORSA had the following investments, credit risk ratings, and maturities (in thousands):

Type of Investment	Current Yield (%)	Credit Ratings (S&P)	Maturities Less than 1 Year
Unrestricted investments:			
U.S. Government Agency Securities	2.22	AA	$ 2,997
U.S. Government Agency Securities (Discount)	2.20 - 2.22	AA	52,904
Money Market Mutual Funds	2.3	AAA	7,500
Total unrestricted investments			**$ 63,401**
Restricted investments:			
U.S. Government Agency Securities	1.85 - 1.98	AA	$ 6,013
Money Market Mutual Funds	2.25 - 2.26	AAA	5,984
Total restricted investments			**$ 11,997**

Concentration of Credit Risk: Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolios at June 30, 2019 (in thousands):

Type of Investment/Issuer	Amount	% of ORSA's Unrestricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 52,904	83.4%

Type of Investment/Issuer	Amount	% of ORSA's Restricted Portfolio
U.S. Government Agency Securities		
Federal Farm Credit Bank	$ 6,013	50.1%

Component Unit – Port of Oakland

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30, 2019 (in thousands):

City investment pool	$	453,873
U.S. Treasury Note		58,361
Government Securities Money Market Mutual Funds		1,001
Total cash investments	**$**	**513,235**

Investments:

Under the City of Oakland Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are managed and invested by the City, pursuant to the City's Investment Policy, that the City administers and reviews annually. For this reason, the Port does not maintain its own investment policy and relies on the City Investment Policy to mitigate the risks described below.

Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is invested in either 1) U.S. Treasury Notes, Federal Home Loan Bank Bond, or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Bonds.

At June 30, 2019, the Port had the following investments (in thousands):

					Maturity
	Fair Value		Fair Value Hierarchy	Credit Ratings per Moody's	Less than 1 Year
U.S. Treasury Note	$	58,361	Level 1	Aaa	$ 58,361
Government Securities Money Market Mutual Funds		1,001	Exempt	Not Rated	1,001
City investment pool		453,873	Exempt	Not Rated	453,873
Total investments	**$**	**513,235**			**$ 513,235**

Investment securities classified in Level 1 of the fair value hierarchy consist of U.S. Treasury Note, and were valued using quoted prices in active markets. Investments exempt from fair value treatment consist of Government Securities Money Market Mutual Funds, which are valued at amortized cost, and the City Investment Pool, whose fair value disclosure is presented at the City-wide level in the City's basic financial statements.

Investments Authorized by Debt Agreements: The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture (Intermediate Trust Indenture, together with the Senior Trust Indenture, are referred to as the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit, banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements**.**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest risk. In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures.
- The deposits held by the City Treasury are invested pursuant to the City's Investment Policy, which limits the terms of its investments and establishes minimum allowable credit ratings, as well as other controls. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

Credit Risk: This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage credit risk.

In order to manage credit risk:

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by S&P, A2 by Moody's, and A by Fitch Ratings.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or a counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party.

To protect against custodial credit risk:

- All securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of $59.4 million at June 30, 2019.
- All securities the Port has invested with the City are held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the custody agreements. The Port had $453.9 million invested in the City Investment Pool on June 30, 2019.

Concentration of Credit Risk: The Trust Indentures place no limit on the amount the Port may invest in any one issuer.

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool. The City has adopted an investment policy that provides for the following:

- The maximum maturity for any one investment may not exceed 5 years.
- No more than 5 percent of the total assets of the investments held by the City may be invested

in the securities of any one issuer except:

- obligations of the United States government;
- United States federal agencies and government sponsored enterprises;
- reverse repurchase agreements;
- deposits - private placement;
- certificates of deposit;
- local government investment pools;
- money market investment funds; and
- supranational organizations.

- Permitted investments include U.S. treasury securities, federal agency and instrumentalities, banker's acceptances, commercial paper, asset-backed commercial paper, local government investment pools, medium-term notes, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, dollar-denominated obligations issued by supranational organizations, certificates of deposit, money market mutual funds, state investment pool (Local Agency Investment Fund), local city/agency bonds and state obligations.

B. INTERFUND TRANSACTIONS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Successor Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of ORSA relate to project advances made by ORSA for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note III, part D.

Primary Government

1. Due from/Due to other funds

The amounts payable to the General Fund to cover the other City funds' overdraft position as of June 30, 2019, is as follows (dollars in thousands):

Payable Fund	Amount
Federal/State Grant Fund	$ 15
Municipal Capital Improvement Fund	18,354
Other Governmental Funds	2,339
Subtotal Governmental Funds	20,708
Sewer Service Enterprise Fund	2
Parks and Recreation Enterprise Fund	443
Subtotal Enterprise Fund	445
Internal Service Fund	6,539
Private Pension Trust Fund (Fiduciary Fund)	5
Total due to the General Fund	$ 27,697

2. Interfund Transfers

The following schedule summarizes the City's transfer activities for the year ended June 30, 2019 (dollars in thousands):

Transfer Out	Transfer In	Amount	
General Fund	Other Governmental Funds	$ 75,775	(1)
	Federal/State Grant Fund	7,659	(2)
	Other Special Revenue Fund	19,967	(3)
	Internal Service Funds	2,975	(4)
Federal/State Grant Fund	General Fund	27	(5)
Municipal Capital Improvement Fund	General Fund	422	(5)
Other Special Revenue Fund	Low and Moderate Income Housing Asset Fund	2,464	(6)
	General Fund	476	(5)
Other Governmental Funds	General Fund	412	(5)
Sewer Service Fund	General Fund	1,292	(5)
Internal Service Funds	General Fund	3,249	(5)
	Total	$ 114,718	

Significant transfers for the year ended June 30, 2019 include the following:

(1) Transfers of debt service payments.
(2) Transfers to provide funds to cover the Central Service Overhead cost for certain grant funds.
(3) Transfers for the Kids' First Children's Program.
(4) Partial repayment of Facilities Internal Service Fund negative fund balance.
(5) Transfers for the City's claims and liability payments.
(6) One-time transfer due to fund re-organization.

3. ORSA Reimbursements to the City

In FY 2019, ORSA incurred a total of $4.2 million expense in general administrative and project-related overhead. Of this amount, $2.0 million reimbursed the City for general and administrative overhead and $2.2 million paid for project-related overhead and operational costs for support services provided by designated City employees.

4. Due to the City

At June 30, 2019, ORSA has a payable to the City in the amount of $4.3 million, which included the former Agency's Low and Moderate Housing Fund loan of $1.6 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor and a loan of $2.7 million from the Capital Project Fund to the West Oakland Project for public improvements.

5. ORSA Transfers of Excess Bond Proceeds

In 2019, ORSA expended $8.5 million of excess bond proceeds to the City, which is recorded as an other deduction in the statement of changes in fiduciary net position. This expenditure of excess bond proceeds to the City was approved by the State Department of Finance pursuant to Health and Safety Code Section 34179(h) and fulfills the bond expenditure agreement with the City.

Component Unit - Port of Oakland (Port)

The City has entered into agreements with the Port for various services such as aircraft rescue and firefighting (“ARFF”), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, City clerk, legislative programming, and treasury services. General Services includes fire, rescue, police, street maintenance, treasury, and similar services. Lake Merritt Trust Services includes items such as recreation services, grounds maintenance, security, and lighting.

Payments to the City for these services are made upon execution of appropriate agreements and/or periodic findings and authorizations from the Board.

1. Special Services and Aircraft Rescue & Fire Fighters (ARFF)

Payments for Special Services and ARFF are treated as a cost of Port operations pursuant to City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services and ARFF from the City totaled $6.7 million and are included in Operating Expenses. At June 30, 2019, $6.9 million was accrued as current liability by the Port and as a receivable by the City.

2. General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2019, the Port accrued approximately $1 million of payments for General Services. Additionally, the Port accrued approximately $1.6 million to reimburse the City for Lake Merritt Trust Services in fiscal year 2019. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Trust Services.

C. NOTES AND LOANS RECEIVABLE, NET OF ALLOWANCE

Primary Government

The composition of the City’s notes and loans receivable for governmental activities, net of the allowance for uncollectible accounts, as of June 30, 2019, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improve-ment Fund	Other Special Revenue Funds	Total
Pass-through loans	$ —	$ 1,300	$ —	$ —	$ —	$ 1,300
HUD loans	—	116,133	361,593	2,947	—	480,673
Economic development loans and other	7,315	60,531	—	33,529	1,474	102,849
Less: allowance for uncollectable accounts	(309)	(43,682)	(121,600)	(1,092)	(579)	(167,262)
Total notes and loans receivables, net	**$ 7,006**	**$ 134,282**	**$ 239,993**	**$ 35,384**	**$ 895**	**$ 417,560**

[1]Low and Moderate Income Housing Asset Fund

Management has determined that certain loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of these loans are met. At of June 30, 2019, it was determined that $167.3 million of the loan portfolio is not expected to be ultimately collected. All of the City's notes and loans receivables are offset with deferred inflows of resources in the governmental funds.

Prior to the effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20 percent of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this former requirement, the City established its 20 percent Housing Program and an additional 5 percent of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates. Upon dissolution of the Former Agency, the City assumed the housing activity function of the Former Agency. All loans receivable relating to the Low and Moderate Income Housing Program have been transferred from the Former Agency to the LMIHF, which was established as of February 1, 2012 pursuant to City Council Resolution No. 83680 C.M.S.. As of June 30, 2019, loans receivable relating to the LMIHF program totaled approximately $240.0 million, net of allowance for uncollectible accounts.

Oakland Redevelopment Successor Agency (ORSA)

ORSA received loans from the former Agency upon its dissolution. These loans bear no interest and mature on various dates up until May 2070. A loan is deemed uncollectible when the property securing the loan is foreclosed by senior lien holder and there is insufficient equity to pay the loan.

Composition of loans receivable as of June 30, 2019 is as follows (in thousands):

Type of Loan	Amount
Housing developments project	$ 1,463
Economic development	53,571
Gross notes and loans receivable	55,034
Less: allowance for uncollectible	(46,675)
Total notes and loans receivables, net	**$ 8,359**

D. CAPITAL ASSETS AND LEASES

Primary Government

1. Summary Schedule

The following is a summary of governmental activities capital assets activity for the year ended June 30, 2019 (in thousands):

	Balance June 30, 2018	Additions	Deletions/ Adjustments	Transfers of Completed Construction	Balance June 30, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 88,068	$ 705	$ —	$ 107,330	$ 196,103
Intangibles (easements)	2,607	—	—	—	2,607
Museum collections	793	—	—	140	933
Construction in progress	319,224	80,495	—	(321,668)	78,051
Total capital assets, not being depreciated	410,692	81,200	—	(214,198)	277,694
Capital assets, being depreciated:					
Facilities and improvements	843,588	7,741	2,484	14,905	863,750
Furniture, machinery, and equipment	287,869	10,614	1,984	52,658	349,157
Infrastructure	936,455	7,774	279	146,635	1,090,585
Total capital assets, being depreciated	2,067,912	26,129	4,747	214,198	2,303,492
Less accumulated depreciation:					
Facilities and improvements	472,086	24,833	443	—	496,476
Furniture, machinery, and equipment	212,730	21,725	1,973	—	232,482
Infrastructure	386,858	35,267	1	—	422,124
Total accumulated depreciation	1,071,674	81,825	2,417	—	1,151,082
Total capital assets, being depreciated, net	996,238	(55,696)	2,330	214,198	1,152,410
Governmental Activities - capital assets, net	**$1,406,930**	**$ 25,504**	**$ 2,330**	**$ —**	**$1,430,104**

The following is a summary of business-type activities capital assets activity for the fiscal year ended June 30, 2019 (in thousands):

	Balance June 30, 2018	Additions	Deletions	Transfers of Completed Construction	Balance June 30, 2019
Business-Type Activities:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ —	$ —		$ 4
Construction in progress	37,621	14,814	—	(28,363)	24,072
Total capital assets, not being depreciated	37,625	14,814	—	(28,363)	24,076
Capital assets, being depreciated:					
Facilities and improvements	490	—	—		490
Furniture, machinery and equipment	9,400	398	—		9,798
Sewer and storm drains	313,706	422	—	28,363	342,491
Street work	48	—	—	—	48
Total capital assets, being depreciated	323,644	820	—	28,363	352,827
Less accumulated depreciation:					
Facilities and improvements	322	7	—	—	329
Furniture, machinery, and equipment	6,198	912	—	—	7,110
Sewer and storm drains	120,618	5,478	—	—	126,096
Street work	1	2	—	—	3
Total accumulated depreciation	127,139	6,399	—	—	133,538
Total capital assets, being depreciated, net	196,505	(5,579)	—	28,363	219,289
Sewer Service Fund, capital assets, net	**$ 234,130**	**$ 9,235**	**$ —**	**$ —**	**$ 243,365**
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 361	$ —	$ —	$ —	$ 361
Construction in progress	—	71	—	—	71
Total capital assets, not being depreciated	361	71	—	—	432
Capital assets, being depreciated:					
Facilities and improvements	5,102	—	—	—	5,102
Furniture, machinery and equipment	564	—	—	—	564
Infrastructure	85	—	—	—	85
Total capital assets, being depreciated	5,751	—	—	—	5,751
Less accumulated depreciation					
Facilities and improvements	3,453	157	—	—	3,610
Furniture, machinery and equipment	475	24	—	—	499
Infrastructure	60	6	—	—	66
Total accumulated depreciation	3,988	187	—	—	4,175
Total capital assets, being depreciated, net	1,763	(187)	—	—	1,576
Parks and Recreation Fund, capital assets, net	**$ 2,124**	**$ (116)**	**$ —**	**$ —**	**$ 2,008**
Business-Type Activities - capital assets, net	**$ 236,254**	**$ 9,119**	**$ —**	**$ —**	**$ 245,373**

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2019 is as follows (in thousands):

Governmental Activities:		
General Government	$	9,999
Public Safety		2,759
Community and Human Services		6,790
Community and Economic Development		14,016
Public Works and Transportation		35,083
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		13,178
Total	**$**	**81,825**

Business-Type Activities:		
Sewer	$	6,399
Parks and Recreation		187
Total	**$**	**6,586**

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2019, is as follows (in thousands):

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets, not being depreciated					
Land	$ 523,382	$ —	$ —	$ 18	$ 523,400
Intangibles (noise easements and air rights)	25,853	—	—	—	25,853
Construction in progress	41,451	33,068	(12,009)	(43,849)	18,661
Total capital assets, not being depreciated	590,686	33,068	(12,009)	(43,831)	567,914
Capital assets, being depreciated:					
Building and improvements	986,181	80	—	4,637	990,898
Container cranes	155,697	—	—	3,500	159,197
Systems and structures	2,117,468	—	(29)	18,479	2,135,918
Intangibles (software)	13,844	—	—	—	13,844
Other equipment	103,537	1,515	(1,350)	17,215	120,917
Total capital assets, being depreciated	3,376,727	1,595	(1,379)	43,831	3,420,774
Less accumulated depreciation:					
Building and improvements	617,417	23,698	—	—	641,115
Container cranes	108,719	5,911	—	—	114,630
Systems and structures	993,435	78,760	—	—	1,072,195
Intangibles (software)	9,643	1,405	—	—	11,048
Other equipment	73,629	5,147	1,350	—	77,426
Total accumulated depreciation	1,802,843	114,921	1,350	—	1,916,414
Total capital assets, being depreciated, net	1,573,884	113,326	(29)	43,831	1,504,360
Port-capital assets, net	$2,164,570	$ (80,258)	$ (12,038)	$ —	$2,072,274

For the year ended June 30, 2019, the Port recognized a loss on the disposal of capital assets of $10.9 million consisting of abandoned construction in progress and disposed infrastructure, which was offset by $0.1 million of proceeds from the sale of fully depreciated equipment. Additionally, the Port reclassified $1.1 million of prior construction in progress costs to other expense.

2. Capital Assets Under Operating Leases as Lessor

The capital assets leased to others at June 30, 2019, consist of the following (in thousands):

Land	$	296,833
Container cranes		159,197
Buildings and improvements		195,549
Infrastructure		1,007,035
		1,658,614
Less accumulated depreciation		(815,671)
Net capital assets, on lease	**$**	**842,943**

3. Operating Leases as Lessor

A major portion of the Port's capital assets are leased to others. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for the year ended June 30, 2019, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$	163,993
Contingent rentals in excess of minimums		41,233
Total	**$**	**205,226**

Outer Harbor Terminal Closure

On February 1, 2016, Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) (OHT) filed for Chapter 11 bankruptcy protection. At that time OHT held a 50-year lease with the Port to operate at Berths 20-24, a month to month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berth 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance. As of June 30, 2019, the Port estimated the cost to complete significant repairs and deferred maintenance over the next few years is approximately $16.8 million.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year		
2020	$	164,703
2021		165,936
2022		168,662
2023		163,983
2024		163,511
2025-2029		633,944
2030-2034		411,365
2035-2039		109,978
2040-2044		60,930
2045-2049		66,236
2050-2054		76,265
Thereafter		522,421
Total	**$**	**2,707,934**

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received, which is a component of unearned revenue, for years ending June 30 are as follows (in thousands):

Year		
2020	$	465
2021		479
2022		493
2023		508
2024		524
2025-2029		2,863
2030-2034		3,319
2035-2039		3,848
2040-2044		4,460
2045-2049		5,171
2050-2054		5,777
Total	**$**	**27,907**

E. PROPERTY HELD FOR RESALE

Primary Government

At June 30, 2019, the City has a total of $162.7 million of property held for resale.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2019, ORSA has a total $2.8 million for properties recorded at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the California Department of Finance approved the ORSA's Long-Range Property Management Plan addressing the disposition and use of Former Agency properties and authorizing the disposition of properties pursuant to the plan.

F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Primary Government – Governmental Activities

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2019, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
Governmental Funds:			
General Fund	$ 58,881	$ 108,295	$ 167,176
Federal/State Grant Fund	15,630	—	15,630
Low and Moderate Income Housing Asset Fund	1,948	—	1,948
Municipal Capital Improvement Fund	4,151	—	4,151
Other special revenue funds	13,250	—	13,250
Other governmental funds	8,556	—	8,556
Total governmental funds	102,416	108,295	210,711
Internal service funds	5,219	—	5,219
Total governmental activities	$ 107,635	$ 108,295	$ 215,930
Business-type Activities:			
Sewer Service Fund	$ 2,627	$ —	$ 2,627

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2019, are as follows (in thousands):

Pension Trust Fund	
Accounts payable	$ 16
Member benefits payable	4,597
Investments payable	7,464
Accrued investment management fees	351
Total pension trust fund	$ 12,428

G. LONG-TERM AND OTHER OBLIGATIONS

Primary Government

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term obligations of the City as of June 30, 2019 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
General obligation bonds	2047	1.20 - 5.00%	$ 301,655
Lease revenue bonds	2027	5.00%	54,905
Pension obligation bonds	2026	3.27 - 6.89%	246,872
Accreted interest on appreciation bonds	2023	n/a	118,643
City guaranteed special assessment district bonds	2039	2.00 - 3.63%	3,295
Unamortized premiums and discounts, net			26,008
Total bonds payable			**$ 751,378**
Loans payable and capital leases:			
Loans payable	2020	2.44%	$ 18,125
Capital leases	2028	1.17 - 5.30%	53,267
Total loans payable and capital leases			**$ 71,392**

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
Sewer revenue bonds	2029	2.00 - 5.00%	$ 28,260
Unamortized bond premium			3,430
Total bonds payable			**$ 31,690**

2. Interest Rate Swap

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

Objective of the Interest Rate Swap: On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (Swap) with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (Counterparty) in connection with the $187.5 million Oakland Joint Powers Financing Authority (Authority) Lease Revenue Bonds, 1998 Series A1/A2 (1998 Lease Revenue Bonds). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15.0 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offered Rates (LIBOR). This amendment resulted in an additional upfront payment from the Counterparty to the City of $6.0 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B (Series 2005 A & B Bonds). $143.0 million was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond. The amortization schedule is as follows as of June 30, 2019:

Calculation period (July 31)		Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2020	$	19,300,000	5.6775%	1.5587%	4.1188%
2021		12,800,000	5.6775%	1.5587%	4.1188%
2022		6,400,000	5.6775%	1.5587%	4.1188%

1 The 1-month LIBOR rate is 2.39800 percent as of June 30, 2019. Future rates are projections as the LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2019 of $19.3 million. The notional amount of the swap declines through 2021. Under the Swap, the City pays the Counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the Counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value: The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the Swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $1.3 million as of June 30, 2019.

Credit Risk: The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's, and AA- by S& P as of June 30, 2019. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below A3 by Moody's or A- by S&P, the Swap provides the Counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Termination Risk: An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the Counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the Counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's or "A-" by S&P.

The Counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The Counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's or "BBB-" by S&P. If at the time of termination, the Swap has a negative fair value, the City would be liable to the Counterparty for a payment equal to the Swap's fair value.

3. Summary of Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2019, are as follows (in thousands):

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds (A)	$ 317,605	$ —	$ 15,950	$ 301,655	$ 16,675
Lease revenue bonds (B)	60,025	—	5,120	54,905	5,725
Pension obligation bonds (C)	271,580	—	24,708	246,872	24,316
Accreted interest on appreciation bonds (B) and (C)	136,371	13,113	30,841	118,643	32,801
City guaranteed special assessment district bonds (C)	3,585	—	290	3,295	355
Unamortized premium and discounts	27,934	—	1,926	26,008	1,926
Total bonds payable:	817,100	13,113	78,835	751,378	81,798
Loans and lease payable:					
Loans payable (B) and (D)	22,250	—	4,125	18,125	13,875
Capital leases (B) and (D)	54,046	16,000	16,779	53,267	16,555
Total notes payable and capital leases	76,296	16,000	20,904	71,392	30,430
Other long-term liabilities:					
Accrued vacation and sick leave (E)	49,388	66,584	64,208	51,764	40,174
Pledge obligation for Coliseum Authority debt (B)	37,049	—	4,550	32,499	4,778
Estimated environmental cost (B)	380	367	367	380	159
Self-insurance liability - workers' compensation (B)	92,453	12,492	23,545	81,400	20,350
Self-insurance liability - general liability (B)	51,316	23,456	14,734	60,038	24,015
Interest rate swap agreement	2,039	—	779	1,260	—
Total other long-term liabilities	232,625	102,899	108,183	227,341	89,476
Total governmental activities	**$ 1,126,021**	**$132,012**	**$ 207,922**	**$ 1,050,111**	**$ 201,704**
Business-type activities:					
Sewer fund - bonds payable	$ 30,495	$ —	$ 2,235	$ 28,260	$ 2,275
Unamortized bond premium	3,772	—	342	3,430	343
Total business-type activities	**$ 34,267**	**$ —**	**$ 2,577**	**$ 31,690**	**$ 2,618**

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Revenues recorded in the general fund
(C) Property tax voter approved debt
(D) Revenues recorded in the special revenue funds
(E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) have funded the compensated absences through contributions to the General Fund.

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2019, $43.5 million of bonds, notes payable, and capital leases related to the internal service funds are included in the above amounts.

4. Annual Requirements to Maturity

Primary Government

The annual repayment schedules for governmental activities' long-term debt as of June 30, 2019, are as follows (in thousands):

Governmental Activities[1]

Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Special Assessment District Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 16,675	$ 12,601	$ 5,725	$ 2,602	$ 355	$ 98
2021	16,300	11,848	6,015	2,309	350	88
2022	17,045	11,115	6,330	2,000	365	78
2023	17,855	10,332	6,650	1,676	380	67
2024	10,490	9,497	6,990	1,335	390	55
2025-2029	59,830	40,076	23,195	1,779	635	167
2030-2034	61,205	26,119	—	—	340	113
2035-2039	47,400	15,278	—	—	395	51
2040-2044	32,200	7,896	—	—	85	2
2045-2049	22,655	1,799	—	—	—	—
Total	**$ 301,655**	**$ 146,561**	**$ 54,905**	**$ 11,701**	**$ 3,295**	**$ 719**

Year Ending June 30	Loan Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2020	$ 13,875	$ 350	$ 16,555	$ 1,159
2021	4,250	26	12,605	813
2022	—	—	10,668	509
2023	—	—	4,794	300
2024	—	—	4,397	191
2025-2029	—	—	4,248	145
Total	**$ 18,125**	**$ 376**	**$ 53,267**	**$ 3,117**

Year Ending June 30	Pension Obligation Bonds			Total		
	Principal	Accreted Interest	Interest	Principal	Accreted Interest	Interest
2020	$ 24,316	$ 34,419	$ 8,291	$ 77,501	$ 34,419	$ 25,101
2021	23,992	36,448	7,942	63,512	36,448	23,026
2022	23,758	38,447	7,555	58,166	38,447	21,257
2023	23,425	40,460	7,139	53,104	40,460	19,514
2024	47,380	—	5,894	69,647	—	16,972
2025-2029	104,001	—	4,938	191,909	—	47,105
2030-2034	—	—	—	61,545	—	26,232
2035-2039	—	—	—	47,795	—	15,329
2040-2044	—	—	—	32,285	—	7,898
2045-2049	—	—	—	22,655	—	1,799
Subtotal	246,872	149,774	41,759	678,119	149,774	204,233
Less: unaccreted interest	—	(31,131)	—	—	(31,131)	—
Total	**$ 246,872**	**$ 118,643**	**$ 41,759**	**$ 678,119**	**$ 118,643**	**$ 204,233**

[1] The specific year for payment of other long-term liabilities is not practicable to determine.

The City's general obligation bonds, pension obligation bonds, and lease revenue bonds do not permit acceleration upon an event of default or provide for other finance-related consequences. The City's capital leases provide for the return of leased equipment in the event of a termination of the lease by the City. In addition, capital lease rental payments due within the same fiscal year may become immediately due upon an event of default. The category of loans payable includes one City loan that provides for a 3% increase in interest upon an event of default.

The annual repayment schedules for business-type activities' long-term debt as of June 30, 2019, are as follows (in thousands):

Business-Type Activities

Year Ending June 30	Sewer Revenue Bonds Principal	Interest
2020	$ 2,275	$ 1,368
2021	2,370	1,277
2022	2,490	1,159
2023	2,610	1,034
2024	2,720	926
2025-2029	15,795	2,446
Total	**$ 28,260**	**$ 8,210**

The City pledged future net revenues to repay its sewer revenue bonds. The total principal and interest remaining to be paid on the bonds is $36.5 million. The principal and interest payments made in 2019 were $3.6 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2019 were $24.5 million. Debt service payments on the City's sewer bonds are subject to acceleration in the event of default.

5. New Debt Issuance

Master Lease-Purchase Agreement, Public Safety IT Systems Lease 2017, Schedule No. 2

On August 1, 2018, the City entered into a Master Lease-Purchase Agreement in the principal amount of $7.9 million to provide funding to upgrade, replace, and implement mission-critical public safety IT systems including 1) 911 Computer Aided Dispatch, the Records Management System, and the Fire Station Alerting System, as well as, 2) the Oakland Police Department's Performance, Reporting, and Information & Metrics Environment 2.0 (PRIME 2.0) enterprise platform. The aim of the project is to produce accurate, reliable, efficient, and modern next-generation public safety IT systems. The final maturity is August 1, 2024 and has an interest rate of 1.9755 percent.

Master Lease-Vehicle Lease 2019

On March 15, 2019, the City entered into a Master Lease-Purchase Agreement in the principal amount of $8.1 million to provide funding for replacement of vehicles and related equipment. The financing included three schedules with interest rates of 2.598 to 2.850 percent and a final maturity of March 15, 2029. The agreement also provided for an additional borrowing in the amount of $7.9 million for replacement of vehicles and related equipment commencing on March 15, 2020.

Oakland Redevelopment Successor Agency (ORSA)

1. Summary Schedule of Long-Term Debt

The following is a summary of ORSA's long-term debt as of June 30, 2019 (in thousands):

	Original Issued Amount	Issued Year	Maturity Fiscal Year	Interest Rate Range	Principal Balance
Tax Allocation Bonds:					
Central District Redevelopment Project					
Subordinated Tax Allocation Bonds, Series 2006T	$ 33,135	2006	2022	5.41%	$ 8,795
Subordinated Tax Allocation Bond, Series	38,755	2009	2021	8.50%	12,240
Subordinated Tax Allocation Refunding	102,960	2013	2023	5.00%	45,905
Coliseum Area Redevelopment Project					
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2036	5.54%	56,170
Central City East Redevelopment Project					
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2035	5.54%	44,835
Broadway/MacArthur/San Pablo Redevelopment Project					
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2033	5.28% - 5.59%	8,340
Tax Allocation Bonds, Series 2010-T	7,390	2010	2041	7.20% - 7.40%	7,015
Subtotal	330,905				183,300
ORSA Subordinate Tax Allocation Refunding Bonds					
Series 2018-TE	15,190	2018	2032	5.00%	15,190
Series 2018-T (federally taxable)	41,765	2018	2040	3.00% - 4.00%	37,440
Series 2015-TE	22,510	2015	2037	5.00%	22,510
Series 2015-T (federally taxable)	66,675	2015	2036	2.76% - 4.92%	57,470
Subtotal	146,140				132,610
Total long - term debt	$ 477,045				$ 315,910

2. Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2013, Series 2006B-T, Series 2006A-T, Series 2006C-T, and Series 2010T Bonds are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TABs series.

As of June 30, 2019, the total principal and interest remaining on these TABs was $254.2 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

Subordinated Tax Allocation Refunding Bonds

The Subordinate Tax Allocation Refunding Bonds are comprised of Series 2015-TE, and Series 2015-T (the "Series 2015 Bonds"), and Series 2018-TE and Series 2018-T Bonds (the "Series 2018 Bonds"). These Bonds are limited obligations of the ORSA and payable from and secured by pledged tax revenues. Pledged tax revenues are tax increment revenues that were eligible for allocation to the former Agency and are allocated to the ORSA, excluding (i) tax revenues required to pay debt service on the existing bonds, (ii) certain amounts required to be paid under the Uptown Ground Lease and the 17th Street Garage Disposition and Development Agreement, and (iii) amounts required to be paid to taxing entities pursuant to the Dissolution Act, unless such payments are subordinated.

As of June 30, 2019, the total principal and interest remaining on Series 2015 Bonds and Series 2018 Bonds was $203.3 million and the property tax revenues are pledged until the fiscal year 2040, the final maturity date of the bonds. The ORSA's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

Events of Default and Acceleration Clauses

ORSA is considered to be in default if ORSA fails to pay the principal or redemption price of or sinking fund installment for, or interest on, any outstanding bond, when and as the same will become due and payable, whether on the interest payment date, at maturity, by call redemption, or otherwise. If ORSA defaults on its obligations under the bond indenture, the trustee has the right to accelerate the bonds. Each bond insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the bond owners. In the event the maturity of a bond is accelerated, the bond insurer, in its sole discretion, may elect to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by ORSA) and the trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date, the bond insurer's obligations under the insurance policy with respect to the bond shall be fully discharged. However, in the event of a default and such acceleration, there can be no assurance that the trustee will have sufficient moneys available for payment of the bonds.

3. Summary of Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2019, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts due within one year
Tax allocation bonds	$ 208,130	$ —	$ 24,830	$ 183,300	$ 25,975
Subordinated tax allocation refunding bonds	141,360	—	8,750	132,610	4,515
Unamortized premium and discounts:					
Issuance premiums	10,246	—	1,523	8,723	1,523
Issuance discounts	(1,089)	—	(112)	(977)	(112)
Total ORSA	**$ 358,647**	**$ —**	**$ 34,991**	**$ 323,656**	**$ 31,901**

4. Annual Requirements to Maturity

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2019, including mandatory sinking fund payments, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Tax Allocation Bonds		Subordinate Refunding Tax Allocation Bonds	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2020	$ 25,975	$ 9,618	$ 4,515	$ 5,694
2021	27,425	8,034	4,645	5,558
2022	23,545	6,607	4,795	5,401
2023	9,365	5,747	8,030	5,178
2024	5,530	5,344	4,495	4,960
2025-2029	32,540	21,621	23,695	21,811
2030-2034	42,175	11,297	26,470	15,941
2035-2039	13,905	2,435	50,320	6,050
2040-2041	2,840	212	5,645	113
Total	**$ 183,300**	**$ 70,915**	**$ 132,610**	**$ 70,706**

5. Outstanding Defeased Bonds

For financial reporting purposes, the Former Agency's advance-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net position. The remaining outstanding balance for the defeased bonds was $40.3 million at June 30, 2019.

Component Unit- Port of Oakland

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the Port as of June 30, 2019 (in thousands):

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds, notes, and loans payable			
Senior and intermediate lien bonds	2033	1.85-5.125	$ 840,790
Notes and loans	2030	1.20-4.5	88,378
Unamortized bond discounts and premiums, net			48,486
Total bonds, notes, and loans payable			**$ 977,654**

2. Revenues Pledged for the Repayment of Debt Service

The Port's long-term debt and final maturity consists of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime and commercial real estate infrastructure. The majority of the Port's outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. Pledged revenues amounted to $410.1 million in fiscal year 2019.

Pledged Revenues do not include cash received from passenger facility charge (PFCs) or customer facility charge (CFCs) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

Senior Lien Bonds

2011 Series O and 2012 Series P (collectively, the Senior Lien Bonds) were issued under the Senior Trust Indenture and are paid from Pledged Revenues first. As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in U.S. Treasury Notes as of June 30, 2019.

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenues (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125 percent of actual debt service for the Senior Lien Bonds (Senior Lien Debt Service Coverage Ratio).

Events of default under the Senior Lien Trust Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, receivership, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Senior Lien Indenture or the Bonds, which continues for a period of 60 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Senior Lien Trust Indenture. Remedies to any default under the Senior Lien Indenture or its supplements can include acceleration of outstanding senior lien debt.

As of June 30, 2019, the outstanding balance of Senior Lien Bonds is $622.5 million.

California Department of Boating and Waterways (DBW) Loan

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004.

In the event the Port fails in whole or in part to make payment when due pursuant to the loan agreement between the Port and the DBW, all principal and interest outstanding shall become immediately due and payable.

As of June 30, 2019, only one DBW Loan remained outstanding with a balance of $3.9 million.

Intermediate Lien Bonds

Bonds issued under the Intermediate Trust Indenture are next in payment priority. As of June 30, 2019, the bonds issued under this indenture consist of the 2017 Series D, Series E, Series F, and Series G Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued on August 3, 2017 to refund the 2007 Series A, Series B, and Series C Bonds (Series 2007 Bonds, and combined with the Series 2017 Bonds, the Intermediate Lien Bonds). The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Series 2017 Bonds when due is secured by a reserve surety policy.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110 percent of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Service Coverage Ratio).

Events of default under the Intermediate Lien Trus Indenture include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. Port bankruptcy, reorganization, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Intermediate Lien Indenture of the Bonds, which continues for a period of 180 days after notice. Finally, pursuant to supplemental indentures the Port will comply with the covenants of the tax certificates of the different bond series issued under the Intermediate Lien Trust Indenture. The Port will also ensure that the tax-exempt status of the bonds is maintained. Remedies to any default under the Intermediate Lien Trust Indenture or its supplements can include bringing suit upon the Intermediate Lien Bonds, or some other legal action to enforce the rights of bondholders.

As of June 30, 2019, the outstanding balance of Intermediate Lien Bonds is $218.3 million.

Commercial Paper Notes

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a $150.0 million Commercial Paper program in 1998 and a further $150.0 million was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12 percent. The Port has classified the CP Notes as long-term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT, and taxable.

The Port covenants in both of its LOC and Reimbursement Agreements with BANA that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110 percent.

On May 10, 2019 the Port extended the LOCs supporting its ABC Series and DEF Series of commercial paper notes, both issued by Bank of America National Association (BANA). Specifically, the expiration dates of both LOCs were extended from June 30, 2019 to June 30, 2023. The BANA LOC supporting the DEF Series of commercial paper notes amounts to $54.4 million ($50 million principal and interest of $4.4 million) and was originally issued on June 13, 2017, when the Port substituted its then-outstanding JPMorgan Chase Bank National Association (JPMorgan) LOC. The BANA LOC supporting the ABC Series of commercial paper notes amounts to $163.3 million ($150 million principal and interest of $13.3 million) and was originally issued on June 13, 2016, when the Port substituted its then-outstanding Wells Fargo LOC.

As of June 30, 2019, the outstanding balance of CP Notes under the Port's ABC Series of CP is $40.4 million while the outstanding balance under the Port's DEF Series of CP is $44.1 million.

The reimbursement agreements between the Port and BANA, which describe the terms and conditions under which BANA issues the commercial LOCs supporting the Port's CP Notes, contain a number of default provisions and remedies. Events of default include the failure to reimburse draws, advances or term loans issued under the LOCs, or to pay LOC related fees to BANA when due. Breaches of any of the covenants, conditions or agreements in the reimbursement agreements and other CP related documents are also considered defaults, as are breaches of the covenants contained in the Senior Lien Indenture or Intermediate Lien Indenture. The reimbursement agreements also contain default provisions for bankruptcy, failure to make payments on other Port debt, the acceleration of other Port debt, legal/administrative changes affecting the Port's ability to pay its debts or comply with its agreements, and material unsatisfied legal judgments.

Any of the above defaults can trigger the immediate acceleration of LOC related fees to BANA, the reduction of the LOC stated amounts, and/or suspensions of the Port's ability to issue new CP Notes or make draws under the existing LOCs. Any accelerations or payment failures on other Port debt, failures to pay CP related obligations, bankruptcy or limits to the Port's authority may also trigger a further remedy whereby advances and/or term loans under the LOCs would become immediately due and payable.

3. Summary of Changes in Long-Term Obligations

The changes in the Port's long-term obligations for the year ended June 30, 2019, are as follows (in thousands):

Component Unit - Port of Oakland

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts due within one year
Bonds and notes payable:					
Senior and intermediate lien bonds	$ 891,695	$ —	$ 50,905	$ 840,790	$ 52,715
Notes and loans payable (1)	109,543	—	21,165	88,378	282
Unamortized premium and discounts, net	57,960	(93)	9,381	48,486	8,219
Total bonds and notes payable	1,059,198	(93)	81,451	977,654	61,216
Other long-term liabilities:					
Accrued vacation, sick leave, and compensatory time	6,999	1,976	1,449	7,526	6,311
Environmental remediation	17,754	4,422	5,098	17,078	1,640
Self-insurance liability - worker's compensation	10,661	4,527	2,004	13,184	2,004
Other long-term liabilities	21,698	832	1,681	20,849	3,300
Total other long-term liabilities	57,112	11,757	10,232	58,637	13,255
Total component unit	**$ 1,116,310**	**$ 11,664**	**$ 91,683**	**$ 1,036,291**	**$ 74,471**

(1) As of June 30, 2019, under the current LOCs, the Port was authorized to issue an aggregate principal amount of commercial paper notes up to $200 million.

4. Annual Requirements to Maturity

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt.

The Port's required debt service payment for the outstanding long-term debt for the years ending June 30, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	$ 52,997 [1]	$ 40,163	$ 93,160
2021	55,065	38,036	93,101
2022	57,543	35,619	93,162
2023	60,412	32,756	93,168
2024	91,749	34,991	126,740
2025-2028	408,619	103,621	512,240
2029-2033	202,783	20,273	223,056
Total	**$ 929,168**	**$ 305,459**	**$ 1,234,627**

(1) For purposes of this schedule, Commercial Paper debt is amortized over three fiscal years, pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements, beginning when the current letters of credit expire on June 30, 2023.

City-Wide Long-Term Debt

1. Tax and Revenue Anticipation Notes Payable

On July 18, 2018, the City issued $83.4 million tax and revenue anticipation notes in advance of property tax collections. The notes were issued as one taxable series bearing an interest rate of 2.72% per annum and maturing on June 28, 2019. The notes were issued to finance the prepayment of the City's Employer Unfunded Accrued Liability contribution to CalPERS for fiscal year 2018-19. The short-term debt activity for the year ended June 30, 2019 is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2018-2019 Tax and Revenue Anticipation Note	$ —	$ 83,430	$ (83,430)	$ —

2. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. The City believes it is in compliance with all significant limitations and restrictions for which noncompliance would adversely affect its ability to pay debt service.

3. Legal Debt Limit and Legal Debt Margin

As of June 30, 2019, the City's debt limit (3.75% of valuation subject to taxation) was $2.2 billion. The total amount of debt applicable to the debt limit was $301.7 million. The resulting legal debt margin was $1.9 billion.

4. Prior Years' Debt Defeasance

The City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. At June 30, 2019, the principal amount of defeased debt outstanding is as follows:

Refunded Bonds	Refunding Bonds Issued	Date of Refunding Bond Issuance	Outstanding as of June 30, 2019	Scheduled Call Date
Subordinated Housing Set-A side Revenue Bonds, Series 2011A-T	ORSA Subordinated Tax Allocation Refunding Bonds, Series 2018-T	05/09/18	$ 35,710	09/01/21
Subordinated Tax Allocation Bonds, Series 1993A	ORSA Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013	09/18/13	4,645	09/01/22
			$ 40,355	

H. ESTIMATED LIABILITY FOR SELF-INSURANCE

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees, and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to $5.0 million retention level and up to $0.75 million retention level for workers' compensation and has excess insurance with the California State Association of Counties - Excess Insurance Authority as described in the Insurance Coverage section.

1. Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $10,000 deductible to be paid by the City. Vehicles are insured at full replacement value after a $20,000 deductible. Equipment valued at more than $250,000 is insured at full replacement after a $100,000 deductible.

2. Workers' Compensation

The City is self-insured for workers' compensation up to a $.075 million retention level. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $81.4 million in claims liabilities as of June 30, 2019, approximately $20.3 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2019 and 2018 are as follows (in thousands):

	2019	2018
Self-insurance liability - workers' compensation, beginning of year	$ 92,453	$ 94,028
Current year claims and changes in estimates	12,492	23,827
Claims payments	(23,545)	(25,402)
Self-insurance liability - workers' compensation, end of year	$ 81,400	$ 92,453

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

3. General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2019, the amount of liability determined to be probable of occurrence is approximately $60.0 million. Of this amount, claims and litigation approximating $24.0 million are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated and is discounted at a rate of 2.5 percent. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA, except for the Warehouse Fire Related Litigation as described below. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2019 and 2018 are as follows (in thousands):

	2019	2018
Self-insurance liability - general liability, beginning of year	$ 51,316	$ 51,800
Current year claims and changes in estimates	23,456	25,731
Claims payments	(14,734)	(26,215)
Self-insurance liability - general liability, end of year	$ 60,038	$ 51,316

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

4. Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2018, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Limits	Purchased Insurance Per Occurrence
General Liability	Up to $5.0 million	$5.0 to $25.0 million
Automobile Liability	Up to $5.0 million	$5.0 to $25.0 million
Public Officials Errors and Omissions	Up to $5.0 million	$5.0 to $25.0 million
Products and Completed Operations	Up to $5.0 million	$5.0 to $25.0 million
Employment Practices Liability	Up to $5.0 million	$5.0 to $25.0 million
Workers' Compensation	Up to $750,000	$750,000 to $100.0 million

Effective July 1, 2018, the City's self-insured retention level increased from $3.0 million to $5.0 million.

5. Warehouse Fire Related Litigation

Litigation has been filed against the City arising from the tragic fire at an Oakland warehouse that resulted in the deaths of 36 persons on December 2, 2016. Plaintiffs are primarily survivors of these decedents, and also include persons injured in the fire. The coordinated cases allege that the City was aware of dangerous conditions at the warehouse through its police and fire personnel, who visited the site on numerous occasions, and that the City failed to report or abate these conditions despite statutory “mandatory duties” to do so. The City is vigorously defending the matter. The City intends to file a Motion for Summary Judgment in January of 2020. Trial is currently scheduled to begin on May 26, 2020. While the City vigorously opposes the allegations, it believes that it could have some loss exposure. Potential losses to the City are estimated to be in the range of $100 million.

Component Unit – Port of Oakland

1. Workers’ Compensation

The Port is self-insured for workers’ compensation of the Port’s employees. The workers’ compensation liability of $13.2 million at June 30, 2019 is based upon an actuarial study performed as of June 30, 2019 that assumed a probability level of 80 percent and a discount rate of 0.0 percent.

Changes in liability, which is included as part of non-current liabilities, follows (in thousands):

	2019	2018
Self-insurance liability - workers' compensation, beginning of year	$ 10,661	$ 11,282
Current year claims and changes in estimates	4,527	649
Claims payments	(2,004)	(1,270)
Self-insurance liability - workers' compensation, end of year	$ 13,184	$ 10,661

2. General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobiles liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public official’s liability. Port deductibles for the various insured programs range from $10,000 to $1,000,000 each claim. The Port is self-insured for other general liability and liability/litigation-type claims, workers’ compensation of the Port’s employees and most first party exposures. During fiscal year 2019, the Port carried excess insurance over $1,000,000 for the self-insured general liability and workers’ compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

3. Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Owner Protective Professional Indemnity Insurance Program (OPPI) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers’ compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently $250,000 for each general liability and workers’ compensation claim.

The OPPI protects the Port from the potential error and omission of consultants working on Port CIP projects. Consultants must meet minimum insurance requirements of $1,000,000 to $2,000,000. If minimum insurance is not provided or does not respond, the Port would be responsible for $100,000 self-insured retention. There is no actuarial forecast for this coverage.

J. JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Oakland (Alameda) in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum Authority), which was formed on July 1, 1995 to assist the City and the County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (Financing Corporation) is reported as a blended component unit of the Coliseum Authority. The eight-member Board of Commissioners of the Coliseum Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Financing Corporation consists of the City Manager and the County Administrator.

Stadium Bonds – Background

In August 1995, the Coliseum Authority issued $9.2 million in Fixed Rate Refunding Lease Revenue Bonds and $188.5 million in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Coliseum Authority, the City, the County, the Financing Corporation, and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which then managed the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders to the City.

On May 31, 2012, the Coliseum Authority issued $122.8 million in Refunding Bonds Series 2012 A with coupons of 2 to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to $138.1 million. These funds coupled with $13 million in the 2000 Series C reserve fund generated available funds of $151.1 million which was used to refund the 2000 C Refunding Bonds of $137.4 million, fund a reserve fund of $12.8 million, and to pay underwriter's discount and issuance cost of $0.9 million. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent. There was an economic loss of $23 million (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Coliseum Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Coliseum Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of $15.3 million.

The Stadium Bonds are limited obligations of the Coliseum Authority payable solely from certain revenues of the Coliseum Authority, including revenues from the Stadium and Arena Complex and base rental payments from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of the club dues, concession, and parking payments. The Coliseum Authority has pledged the base rental payments and most other revenues received under the Master Lease from the lessees, the City, and the County to the trustee to pay debt service on the bonds. In the event that football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The City and the County each have covenanted to appropriate $12.5 million annually to cover such shortfall in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $25 million annually in the event of default by the County. Base rental payments are projected to cover one hundred percent of the debt service requirements over the life of the bonds. The obligation of the City and the County to make such payments is reduced to the extent the Coliseum Authority receives revenues generated at the complex to pay debt service and for operations and maintenance. The Stadium Bonds are not general obligations of either the City or the County.

Arena Bonds – Background

On August 2, 1996, the Coliseum Authority issued $70 million Series A-1 and $70 million Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Coliseum Authority, the City, the County, and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) among the Warriors and the City, the County, Coliseum Inc., and the Coliseum Authority.

On April 14, 2015, the Authority issued $79,735,000 in Refunding Bonds Series 2015 A with coupons of 0.8 to 3.793 percent to refund and defease all outstanding variable rate 1996 Series A-1 and A-2 Bonds. The bonds were sold at par, bringing total proceeds to $79,735,000. These funds coupled with $3,319,013 in the 1996 Series A reserve fund generated available funds of $83,054,013, which was used to refund the 1996 Series A Refunding Bonds of $79,735,000, to fund a reserve fund of $2,168,103, to pay underwriter's discount and issuance cost of $659,928 and $490,983 was returned to the Authority's general fund. The all-in true interest cost of the 2015A refunding bonds was 3.33 percent. There was an economic loss of $13,479,519 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds.

Under the Bond Agreements, the Arena Bonds are limited obligations of the Coliseum Authority, payable solely from revenues received by the Coliseum Authority on behalf of the City and the County. Revenues consist of base rental payments from the City and the County, certain payments from the Warriors of up to $7.4 million annually from premium seating revenues, the sale of personal seat licenses by the Coliseum Authority, concessionaire payments, and Arena naming rights. If necessary to prevent default, additional premium revenues up to $10 million may be pledged to service Arena debt. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The County and the City each have covenanted to appropriate up to $9.5 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $19 million annually in the event of default by the County. The Warrior's obligation to pay up to $7.4 million annually ended with the termination of the lease option in June 2019. However, in October 2018, an arbitrator provided an interim ruling favorable to the City and the County regarding the Warriors' ongoing contractual obligation under the License Agreement to annually reimburse the

Authority for any principal balance remaining on the Arena Bonds debt obligation if the net operating revenues are not sufficient to pay scheduled debt service through the term of the debt issuance. The Arbitrator's interim award was confirmed by the San Francisco Superior Court. However, the Warriors appealed the Superior Court decision to the First District Court of Appeal. The matter is being briefed and a decision is anticipated in 2020. In the meantime, in August 2019 the Warriors paid the first debt service installment to come due since the Superior Court ruling and it is anticipated that they will continue to do so during the appeal process.

Debt Compliance

Long-term debt outstanding as of June 30, 2019 is as follows (in thousands):

Type of Indebtedness	Maturity	Interest Rate	Authorized and Issued	Outstanding as of June 30, 2019
Stadium Bonds:				
2012 Refunding Series A	February 1, 2025	2.0% - 5.0%		
Lease revenue bonds			$ 122,815	$ 65,000
Arena Bonds:				
2015 Refunding Series A	February 1, 2025	1.0% - 4.0%		
Lease revenue bonds			79,735	55,735
Total			$ 202,550	$ 120,735

Debt payments during the year ended June 30, 2019 were as follows (in thousands):

	Stadium	Arena	Total
Principal	$ 9,100	$ 6,600	$ 15,700
Interest	3,718	1,993	5,711
Total	$ 12,818	$ 8,593	$ 21,411

The following is a summary of long-term debt transactions for the year ended June 30, 2019 (in thousands):

Outstanding lease revenue bonds, beginning of year	$ 136,435
Principal repayments	(15,700)
Outstanding lease revenue bonds, end of year	$ 120,735

Annual debt service requirements to maturity for the lease revenue bonds, including interest payments, are as follows (in thousands):

	Stadium Bonds		Arena Bonds		Total	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 9,555	$ 3,250	$ 7,000	$ 1,837	$ 16,555	$ 5,087
2021	10,035	2,772	7,600	1,650	17,635	4,422
2022	10,535	2,271	8,200	1,426	18,735	3,697
2023	11,065	1,744	8,800	1,167	19,865	2,911
2024	11,615	1,191	9,250	873	20,865	2,064
2025	12,195	610	14,885	735	27,080	1,345
Total	$ 65,000	$ 11,838	$ 55,735	$ 7,688	$ 120,735	$ 19,526

Events of Default, Termination Events and Acceleration Clauses

The Coliseum Authority relies on the City and the County to make base rental payments in order to fulfill its debt service obligations. The Coliseum Authority would be considered to be in default if one or more of the following events occurs: (1) the City and the County fail to pay any rental payable when it becomes due and payable, (2) the City and the County fail to comply with the terms, covenants and conditions of the Master Lease Agreement and (3) the City or the County declare bankruptcy or insolvency.

If an event of default occurs, the Trustee may declare the principal of all bonds then outstanding and the interest accrued thereon to be due and payable immediately. The Coliseum Authority may (1) terminate the Master Lease and recover certain damages, (2) re-enter or re-let the facilities, or (3) continue to collect rent from the City and the County on an annual basis by seeking a separate judgment each year for that year's defaulted base rental payments. Upon an event of default, there is no remedy of acceleration of the total base rental payments due over the term of the Master Lease.

Management of Coliseum Authority

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture (OCJV) to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with OCJV and reinstated its Operating Agreement with Coliseum Inc. Coliseum Inc. subcontracted all of the operations of the Coliseum Complex to OCJV. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Coliseum Authority entered into a Termination Agreement whereby, in return for certain consideration, the Coliseum Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's management agreement with OCJV expired in June 2012. In July 2012, AEG Management Oakland, LLC took over management of the Coliseum Complex after signing a five-year agreement. In April 2016, the agreement was extended through 2022.

Under the joint exercise of power agreement, which formed the Coliseum Authority, the City is responsible for funding up to 50 percent of the Coliseum Authority's operating costs and debt service requirements; to the extent such funding is necessary. During the year ended June 30, 2019, the City made contributions of $12.0 million to fund its share of operating deficits and debt service payments of the Coliseum Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium Bonds, such that the City and the County will have to contribute to base rental payments. Of the $24.0 million obligated, for the year ending June 30, 2019, it is estimated that the City will have to contribute $12.0 million, which is appropriated in the debt service fund. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore, the City has established a contingent liability to fund the Coliseum Authority deficit in the statement of net position in an amount equal to its contingent share (50 percent) of the outstanding Stadium Bonds, in the amount of $32.5 million. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

Complete financial statements for the Coliseum Authority can be obtained from the County Auditor-Controller's Office at 1221 Oak Street, Room 249, Oakland, CA 94612.

III OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

1. General Information About the Pension Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), the California Public Employees' Retirement System (CalPERS) Safety Plan, and the CalPERS Miscellaneous Plan.

PFRS is a closed single employer pension plan that covered employees hired prior to July 1976. Public safety employees hired subsequent to PFRS' closure date and certain employees hired before the closure date who elected to change plans are covered by CalPERS. PFRS issues a publicly available financial report that includes financial statements and required supplementary information for the PFRS Plan. PFRS' standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612 or can access the financial statements via the City's website, www.oaklandca.gov.

The CalPERS Safety and Miscellaneous Plans are agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plans' June 30, 2017 Annual Actuarial Valuation Reports (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov.

2. Benefits

PFRS – PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who completed at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, were eligible for retirement benefits. The basic retirement allowance equals 50 percent of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3 percent of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees received reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter).

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2019, are summarized as follows:

Tier Pension Plans	CalPERS Miscellaneous Plan	CalPERS Safety Plan
Tier One (Classic Member)	Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months.	Receive 3% at age 50. Pension benefits are based on the one year of highest salary.
Tier Two (New Hires as of June 9, 2012)	Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years.	Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037.
Tier Three: AB 340 (January 1, 2013)	Receive 2% at 62. Pension benefits are based on the final average salary of the three years subject to established cap.	Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.

CalPERS' Miscellaneous Plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Hire Date		
	Prior to 6/9/2012	6/9/2012 through 12/31/12	On or After 1/1/2013 (1)
Benefit Formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8.0%	8.0%	6.75% - 8.0%
Required employer contribution rates 2019 (2)	11.302%	11.302%	10.052% - 11.302%

(1) For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

(2) Excludes contribution payments for unfunded liability

CalPERS' Safety Plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Hire Date		
	Prior to 7/1/2011	7/1/2011 to 12/31/2012	On or After 1/1/2013 (1)
Benefit Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employee Contribution Rates	11.0%	11.0% - 12.0%	11.0% - 11.5%
Required employer Contribution Rates 2019 (2)	16.151%	15.151% - 16.151%	18.151%

(1) For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

(2) Excludes contribution payments for unfunded liability

Covered Employees **-** As of June 30, 2018, the following employees were covered by the benefit terms of each pension plan:

	PFRS Plan	CalPERS Miscellaneous Plan	CalPERS Safety Plan
Inactive employees or beneficiaries receiving benefits	798	3,616	1,254
Inactive employees entitled to but not yet receiving benefits	—	1,800	407
Active employees	—	2,673	1,181
Total	**798**	**8,089**	**2,842**

3. Contributions

For the years ended June 30, 2019 and 2018, the City's actuarially determined contributions were as follows (in thousands):

	2019	2018
PFRS Plan	$ 44,821	$ 44,860
CalPERS Miscellaneous Plan (City)	70,598	60,283
CalPERS Miscellaneous Plan (Port)	21,832	19,253
CalPERS Safety Plan (City)	68,849	55,109
CalPERS Safety Plan (Port)	598	524
Total	**$ 206,698**	**$ 180,029**

PFRS – The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed $210.0 million to PFRS. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions were required until July 1, 2017. The City resumed contributions to PFRS on July 1, 2017. The City contributed $44.8 million in the year ended June 30, 2019.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Port's CalPERS Safety Unit - Special Agreement with the City of Oakland

During the period from July 1, 1976, through January 17, 1998 (employment period), the Port appointed certain employees to positions in the classifications of Airport Servicemen and Airport Operations Supervisors. The Port was and has always been the employer that directly appointed, retained, employed, and compensated the personnel in these positions. As result of a decision by CalPERS' Board of Administration on April 15, 1998, employees appointed to positions in the classifications of Airport Servicemen and Airport Operations Supervisors were reclassified from the Miscellaneous Unit member status in CalPERS to Safety Unit member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976. The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits earned during the employment period. CalPERS' actuary estimated that the present value of this net cost (including subsequent actual experience through June 30, 2000, and projected experience through June 30, 2002) was $5.9 million.

The Port entered into an agreement with the City for the payment of this net cost by the Port directly to CalPERS. The agreement provides for the Port to make payments over 20 years in annual installments, with interest at 4.34 percent and adjusted for cost of living at a rate of 3.75 percent. Under this agreement, the Port's obligation will not fluctuate based on the recognition of market gains or losses, changes in the actuarial assumptions, or experiences that differ from the actuary projections. The Port's obligation will remain fixed until paid in full. For the year ended June 30, 2019, the Port recognized principal payments of $0.5 million for the Safety Unit obligation.

4. Net Pension Liability

The table below shows how the net pension liability as of June 30, 2019, is distributed (in thousands).

Governmental Activities	$ 1,613,350
Business-type Activities	41,226
Component Unit - Port of Oakland	206,112
Total	**$ 1,860,688**

As of June 30, 2019, the City's net pension liability is comprised of the following (in thousands):

PFRS Plan	$ 280,217
CalPERS Miscellaneous Plan (City)	636,475
CalPERS Miscellaneous Plan (Port)	203,202
CalPERS Safety Plan (City)	737,884
CalPERS Safety Plan (Port)	2,910
Total	**$ 1,860,688**

The City's net pension liability is measured for each plan as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The Port's proportionate share of the City's Miscellaneous Plan was determined based on the Port's employer contributions divided by the total employer contributions for the respective measurement period and was 24.2 percent for the June 30, 2018 measurement date.

The changes in the net pension liability for the PFRS Plan are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (valuation date)	$ 660,669	$ 353,202	$ 307,467
Change for the year:			
Interest on the total pension liability	44,320	—	44,320
Changes in assumptions	17,858	—	17,858
Differences between expected and actual experience	(10,656)	—	(10,656)
Contributions - Employer	—	44,860	(44,860)
Claims and settlements	—	9	(9)
Net investment income	—	35,446	(35,446)
Administrative expenses	—	(1,543)	1,543
Benefit payments, including refunds of employee contributions	(55,999)	(55,999)	—
Net changes	(4,477)	22,773	(27,250)
Balance at June 30, 2018 (measurement date)	**$ 656,192**	**$ 375,975**	**$ 280,217**

The changes in the net pension liability for each CalPERS plan are as follows (in thousands):

	CalPERS Miscellaneous Plan			CalPERS Safety Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017 (valuation date)	$ 2,671,613	$ 1,787,313	$ 884,300	$ 2,021,068	$ 1,286,169	$ 734,899
Changes for the year:						
Service cost	43,908	—	43,908	43,936	—	43,936
Interest on the total pension liability	185,097	—	185,097	142,495	—	142,495
Changes in assumptions	(19,122)	—	(19,122)	(6,416)	—	(6,416)
Differences between expected and actual experience	(13,207)	—	(13,207)	3,126	—	3,126
Contributions from the employer	—	79,536	(79,536)	—	55,633	(55,633)
Contributions from employees	—	18,240	(18,240)	—	19,188	(19,188)
Plan to plan movement	—	548	(548)	—	(555)	555
Net investment income	—	151,049	(151,049)	—	108,790	(108,790)
Administrative expenses	—	(2,785)	2,785	—	(2,004)	2,004
Benefits payments, including refunds of employee contributions	(144,933)	(144,933)	—	(93,628)	(93,628)	—
Other miscellaneous income/(expense)	—	(5,289)	5,289	—	(3,806)	3,806
Net changes	51,743	96,367	(44,623)	89,513	83,618	5,895
Balance at June 30, 2018 (measurement date)	**$ 2,723,356**	**$ 1,883,679**	**$ 839,677**	**$ 2,110,581**	**$ 1,369,787**	**$ 740,794**

5. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City and the Port recognized pension expense of $213.6 million and $26.7 million, respectively. At June 30, 2019, the City's deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources (in thousands):

	PFRS Plan		CalPERS City Miscellaneous Plan		CalPERS Safety Plan		Total City	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 44,821	$ —	$ 70,598	$ —	$ 69,447	$ —	$ 184,866	$ —
Change in assumptions	—	—	33,013	(9,664)	75,957	(10,518)	108,970	(20,182)
Differences between expected and actual experiences	—	—	—	(8,582)	18,324	—	18,324	(8,582)
Net differences between projected and actual earnings on plan investments	—	(10,569)	3,750	—	3,180	—	6,930	(10,569)
Change in Proportionate Share	—	—	3,113	—	—	—	3,113	—
Total	**$ 44,821**	**$ (10,569)**	**$ 110,474**	**$ (18,246)**	**$ 166,908**	**$ (10,518)**	**$ 322,203**	**$ (39,333)**

At June 30, 2019, the City's pension expense was composed of the following amounts by plan (in thousands):

	PFRS Plan	CalPERS City Miscellaneous Plan	CalPERS Safety Plan	Total City
Pension expense	$ 22,384	$ 89,916	$ 101,315	$ 213,615

At June 30, 2019, the Port's deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources (in thousands):

	Port Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,832	$ —
Change in assumptions	10,539	(3,085)
Differences between expected and actual experiences	—	(2,740)
Net differences between projected and actual earnings on plan investments	1,198	—
Change in proportionate share	—	(3,113)
Total	**$ 33,569**	**$ (8,938)**

At June 30, 2019, the City and the Port reported $184.9 million and $21.8 million, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources		
Year Ending June 30	City	Port	Total
2020	$ 83,037	$ 11,403	$ 94,440
2021	27,208	(2,896)	24,312
2022	(10,755)	(4,470)	(15,225)
2023	(1,242)	(1,238)	(2,480)
2024	(244)	—	(244)
Total	$ 98,004	$ 2,799	$ 100,803

6. Actuarial Assumptions

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

	PFRS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Discount rate	5.50%	7.15%
Investment rate of return	5.50%	7.15%, net of pension plan investment expenses, including inflation
Inflation rate	2.75% (U.S.) to 2.85% (Bay Area)	2.50%
Payroll growth	n/a	2.75-3.00%
Salary increases	n/a	Varies by Entry Age and Service
Post retirement benefits increases	Police - 2.5% and 1% increase at January 1, 2018, 2% on July 1, 2018 and 2.5% on January 1, 2019, then 3.25% Fire - 3.25%	Contract cost of living adjustment up to 2.0% until purchasing power allowance floor on purchasing power applies, 2.50% thereafter

For the PFRS Plan, mortality rates for healthy lives were based on the CalPERS Healthy Annuitant Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. Mortality rates for disabled lives were based on the CalPERS Industrial Disability Mortality Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. The mortality tables are projected to improve with MP-2017 generational mortality improvement tables, with improvements projected from a base year of 2014 (the mid-point of the CalPERS base tables).

For the CalPERS Miscellaneous and Safety Plans, the mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change in Assumptions – For the PFRS Plan, the mortality rates, mortality improvement projection scales and expected annual rate of return on investments have changed based on the June 30, 2017 experience study.

Discount Rates

PFRS – The long term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Best estimates of geometric real rates of return for each major class included in the PFRS's target asset allocation as of June 30, 2018 measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	3.40%
Domestic Equity	5.75%
International Equity	6.80%
Covered Calls	5.25%
Credit Risk Offset	4.40%
Cash	2.25%

The discount rate used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the PFRS Plan based on its July 1, 2012 funding agreement with the PFRS. This agreement suspends City contributions until the fiscal year beginning July 1, 2017, after which they will resume, based upon the recommendation of the actuary, with a Charter requirement that the PFRS Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plan and Safety Plan total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the CalPERS Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	—	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	—	(0.92)

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability for each of the City's retirement plans and the Port's proportionate share of the net pension liability of the City's CalPERS Miscellaneous Plan. The sensitivity of the net pension liability is calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands).

	1% Decrease at 6.15%	Measurement Date at 7.15%	1% Increase at 8.15%
CalPERS Miscellaneous Plan - City	$ 889,345	$ 636,475	$ 425,591
CalPERS Miscellaneous Plan - Port proportionate share	283,933	203,202	135,875
CalPERS Safety Plan	1,044,464	740,794	493,547

PFRS	1% Decrease at 4.50%	Measurement Date at 5.50%	1% Increase at 6.50%
	341,960	280,217	227,412

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Primary Government

1. Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for the CalPERS plans were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula.

In 2014, the City began to partially pre-fund the annual required contribution (ARC) to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit post-employment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

The City's single-employer defined benefit retiree health plan (Post-retirement Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through CalPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Postretirement Health Plan also includes dental and vision benefits and reimbursement of Medicare Part B monthly insurance premium. The Postretirement Health Plan does not issue a separate financial report.

2. Benefits Provided

As provided by the Public Employees' Medical & Hospital Care Act (PEMHCA), the City contracts with CalPERS for medical plan coverage for both active and retired employees. The City pays part of the health insurance premiums for all eligible retirees from City employment receiving a pension annuity earned through City service.

Employees Covered - Based on the July 1, 2017 Actuarial Valuation Report, the following employees were covered by the benefit terms for the OPEB plan:

Inactive retired participants and surviving spouses receiving benefits	2,672
Inactive participants' spouses receiving benefits	1,040
Active employees eligible for retirement benefits	1,047
Active employees not yet eligible for retirement benefits	2,473
Total	**7,232**

3. Contributions

The annual contribution is based on the actuarially determined contribution. The City pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of the CERBT fund, and funds the remaining actuarially determined contribution (ADC) to the CERBT fund. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies). On August 9, 2018, the City contributed the second of two one-time payments of $10.0 million into the CERBT fund to partially prefund the actuarially determined contribution for OPEB, as provided for in the FY 2017-19 Adopted Policy Budget. In addition, on February 26, 2019, City Council adopted an Other Post-Employment Benefits Policy providing for ongoing prefunding contributions of 2.5% of payroll.

Benefits and other contributions paid by the City during the measurement period and those made in the year following the measurement period but prior to the fiscal year ended June 30, 2019 are shown below.

	Reporting Date	
	June 30, 2019	**June 30, 2018**
Explicit contributions	$ 22,414	$ 21,157
Implicit contributions	6,716	6,068
Trust contributions	10,000	10,000
Total	**$ 39,130**	**$ 37,225**

The amount of implicit contributions paid are reflected as a reduction in (active) employee premiums. The contributions made during the year ended June 30, 2019 are reported as deferred outflows of resources on the statement of net position as discussed below.

Net OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2018 (measurement date), using an annual actuarial valuation as of July 1, 2017. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Market value
Amortization method	Level percentage of pay, open period, 30 years
Inflation	2.50%
Discount rate	3.87%
Rate of salary increase	2.50%
Ultimate rate of medical inflation	3.50%
Years to ultimate rate of medical inflation	20 years
Mortality, termination and disability	Based on the 2014 CalPERS Experience Study from 1997 to 2011
Post retirement benefit increase	Police - 2.5% and 1% increases at January 1, 2018; 2% on July 1, 2018; 2.5% at January 1, 2019; then 3.25% Fire - 3.25%

Discount Rate - The discount rate used to measure the total OPEB liability was the Bond Buyer 20-Bond GO Index pursuant to GASB requirements. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 28, 2018 was 3.87%.

The following table shows the changes in net OPEB liability for the year ended June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30, 2017 (valuation date)	$ 853,796	$ 4,325	$ 849,471
Changes for the year:			
Service cost	38,477	—	38,477
Interest	30,078	—	30,078
Changes in assumptions	(38,298)	—	(38,298)
Contributions from the employer	—	38,147	(38,147)
Net investment income	—	945	(945)
Administrative expenses	—	(7)	7
Benefit payments, including refunds of employee contributions	(27,481)	(27,481)	—
Net changes	2,776	11,604	(8,828)
Balance at June 30, 2018 (measurement date)	**$ 856,572**	**$ 15,929**	**$ 840,643**

4. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year ended June 30, 2019 is 3.87 percent. The impact of a 1 percent increase or decrease in the discount rate assumption is shown below:

	1% Decrease at 2.87%	Measurement Date at 3.87%	1% Increase at 4.87%
Net OPEB Liability	$ 988,745	$ 840,643	$ 725,427

The following presents the net OPEB liability of the OPEB plan as of the measurement date, as well as what the net OPEB liability would be if they were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	-1.00%	Baseline	+1.00%
Net OPEB Liability	$ 734,879	$ 840,643	$ 964,645

5. OPEB Plan Fiduciary Net Position

The City's OPEB plan trust fund is included in the CalPERS CERBT agent multiple-employer plan reported in the CalPERS Comprehensive Annual Report (CAFR).

6. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of $10.5 million. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 39,130	$ —
Change in assumptions	—	228,524
Differences between expected and actual experiences	—	7,199
Net Difference between projected and actual earnings on plan investments	—	277
Total	**$ 39,130**	**$ 236,000**

The $39.1 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

Other amounts reported as deferred inflows of resources will be recognized as future OPEB expense as follows:

Year Ending June 30	Deferred (Inflows) of Resources
2020	$ (57,411)
2021	(57,411)
2022	(57,411)
2023	(57,385)
2024	(6,382)
Total	**$ (236,000)**

Component Unit – Port of Oakland

1. Plan Description

The Port has established a Retiree Healthcare Plan and participates in the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (OPEB) costs.

The Port's Retiree Healthcare Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. Additionally, through the Port's Retiree Health Plan, employees hired before October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)) are eligible to receive dental and vision benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive PERS retirement benefits. On

July 21, 2011, the Port adopted resolutions that established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW). The vesting schedule does not apply to employees that are granted a disability retirement.

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least 5 of which are with the City/Port. The Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	Percentage of Employer Contributions
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

Employees Covered - As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Port's Retiree Healthcare Plan:

Active employees	461
Inactive employees or beneficiaries currently receiving benefits	575
Total	**1,036**

2. Contributions

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The annual contribution is based on the actuarially determined contribution. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties and directly to beneficiaries (Pay-go), and funds the remaining actuarially determined contribution to the CERBT fund. For the year ended June 30, 2019, the Port's cash contributions totaling $14.9 million consisted of $7.9 million in payments to third parties, $5.5 million paid to the CERBT fund, and the estimated implied subsidy of $1.5 million.

3. Net OPEB Liability

The Port's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry-Age Normal
Discount rate	6.75%
Inflation	2.50%
Salary increases	3.00% per annum
Investment rate of return	6.75% net of investment expenses
Mortality, termination and disability (1)	Based on the 2014 CalPERS Experience Study from 1997 to 2011
Healthcare trend rate (2)	3.5-6.25% per year increase for medical and 4.0% per year increase for vision and dental, and 0.0%-5.5% per year increase for Medicare Part B

[1] The mortality table used was developed based on CalPERS' specific data. The table includes a margin for mortality improvement based on Scale BB projected to 2032. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

[2] Based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long-term medical care.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Expected Arithmetic Nominal Return (50 Years) (1)**
Global Equity	57.00%	7.92%
U.S. Fixed Income	27.00%	6.83%
Treasury Inflation - Protected Securities	5.00%	3.95%
Real Estate Investment Trust	8.00%	7.46%
Commodities	3.00%	5.37%
Expected Arithmetic Return (50 years)		7.32%
Expected Geometric Return (50 years)		6.70%

(1) Rates include a 2.5 percent long-term inflation assumption

4. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Port contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

5. Changes in the Net OPEB Liability

The changes in the net OPEB liability for the Port's Retiree Healthcare Plan are as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (valuation date)	**$ 170,798**	**$ 66,921**	**$ 103,877**
Changes for the year:			
Service cost	4,329	—	4,329
Interest	11,521	—	11,521
Contributions from the employer	—	14,545	(14,545)
Net investment income	—	5,351	(5,351)
Administrative expenses	—	(35)	35
Benefit payments, including refunds of employee contributions	(9,045)	(9,045)	—
Net changes	6,805	10,816	(4,011)
Balance at June 30, 2019 (measurement date)	**$ 177,603**	**$ 77,737**	**$ 99,866**

6. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year-end 2019 is 6.75%. The impact of a 1% increase or decrease in the discount rate assumption is shown below:

	1% Decrease at 5.75%	Measurement Date at 6.75%	1% Increase at 7.75%
Net OPEB Liability	$ 121,862	$ 99,866	$ 81,540

The following presents the net OPEB liability of the Port if it were calculated using healthcare cost trend rates that are one percentage point lower to one percentage point higher than the current rate, as of June 30, 2019 (in thousands):

	-1.00%	Current Healthcare Costs Trend Rate	+1.00%
Net OPEB Liability	$ 78,773	$ 99,866	$ 125,351

7. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Port recognized OPEB expense of $10.7 million. The Port reported deferred outflows/inflows of resources related to OPEB from the following sources as of June 30, 2019 (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 14,894	$ —
Differences between projected and actual earnings on OPEB plan investments	—	1,640
Total	**$ 14,894**	**$ 1,640**

The OPEB contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent measurement year. Other amounts reported as deferred inflows of resources, will be amortized annually, and recognized as a reduction to OPEB expense, for the years ending June 30 as follows (in thousands):

Year Ending June 30	Deferred (Inflows) of Resources
2020	$ (503)
2021	(503)
2022	(503)
2023	(131)
Total	**$ (1,640)**

C. COMMITMENTS AND CONTINGENCIES

Primary Government

1. Construction Commitments

As of June 30, 2019, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

	General Fund	Federal/ State Grant Fund	Municipal Capital Improvement Fund	Other Special Revenue	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Art	$ —	$ —	$ 280	$ 201	$ —	$ —	$ 481
Building, facilities and infrastructure	323	—	4,328	314	—	1,540	6,505
Parks and open space	4,425	2,108	10,511	218	—	—	17,262
Sewers and storm drains	—	121	—	—	—	—	121
Streets and sidewalks	—	19,995	17,613	652	8,933	—	47,193
Technology enhancement	155	—	1,051	8	—	10,875	12,089
Traffic improvements	—	6,365	950	356	301	—	7,972
Total	**$ 4,903**	**$ 28,589**	**$ 34,733**	**$ 1,749**	**$ 9,234**	**$ 12,415**	**$ 91,623**

	Sewer Fund	Nonmajor Parks and Recreation	Total Business-Type Activities
Building, facilities and infrastructure	$ —	$ 156	$ 156
Sewers and storm drains	47,636	—	47,636
Streets and sidewalks	879	—	879
Total	**$ 48,515**	**$ 156**	**$ 48,671**

2. Other Commitments and Contingencies

Recognized Obligation Payment Schedule

As of June 30, 2019, the ORSA had encumbered $646.8 million for contracted obligations, per the ROPS covering the July 1, 2019 through June 30, 2020 period, which was approved by the DOF on April 15, 2019.

Component Unit – Port of Oakland

As of June 30, 2019, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$ 28,319
Maritime	7,136
Total	**$ 35,455**

The most significant projects for which the Port has contractual commitments for construction are the Airport Perimeter Dike Improvements for $13.4 million, various terminal improvements including restroom upgrades, flooring replacement, and removal of the moving walkway for $8.2 million, and equipment installation at two Maritime substations for $6.4 million.

1. Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has four power purchase agreements including East Bay Municipal Utility District (EBMUD), Western Area Power Administration (WAPA), SunE H3 Holdings, LLC ("SunE"), and Northern California Power Agency (NCPA) with expiration dates greater than two years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
EBMUD	2022	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approximately $464,000 with no annual escalator from 2017-2022.
WAPA	2024	Take and Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approximately $800,000 (Changes annually depending on revenue requirement for power generation projects).
SunE	2027	Take and Pay - (Pay contract price only if energy is received)	1,200 MWH	Approximately $200,000 with annual escalator.
NCPA	2041	Take and Pay - (Pay contract price only if energy is received)	11,300 MWH	Approximately $440,000 with annual escalator.

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2019, multiple forward power purchase contracts totaling approximately $3.4 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2020.

2. Environmental Remediation

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under the California Environmental Quality Act, permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission, and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental remediation liability accounts, net of the estimated recoveries, included as Environmental and other liability on the statement of net position at June 30, 2019, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 1,333	$ —
Identified as responsible to clean up pollution	13,939	179
Begins or legally obligates to clean up or post-clean up activities	1,806	—
Total by obligating event	**$ 17,078**	**$ 179**

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events include: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; or 2) the Port has commenced, or legally obligates itself to commence, clean-up activities, monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

Methods and Assumptions

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services, and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order;
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation;
- Completion of a corrective measures feasibility study;

- Issuance of an authorization to proceed;
- Remediation design and implementation, through and including operation and maintenance and post-remediation monitoring;
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases;
- Changes in technology; or
- Changes in legal or regulatory requirements.

Recoveries

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

Litigation

The Port at various times is a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses, if incurred. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel.

Grants

Certain grants that the Port receives are subject to audit and financial acceptance by the granting agency based upon reviews of costs incurred and submitted for reimbursement or demonstrated Port match. The Port's management does not believe that such audits will have a material impact on the financial statements.

D. DEFICIT FUND BALANCES/NET POSITION

As of June 30, 2019, the following funds reported deficits in fund balance/net position (in thousands):

Fund	Deficit
Debt Service Fund	
Lease Financing	$ (953)
Internal Service Funds	
Equipment	(4,222)
Facilities	(29,250)
Reproduction	(3,384)
Central Stores	(5,534)
Purchasing	(3,060)
Other Private Purpose Trust Funds:	
Oakland Redevelopment Successor Agency Trust Fund	(224,736)
Private Pension Trust Fund	(5)

The deficit in the Lease Financing Debt Service Fund will be cured from the Landscape and Lighting Assessment District Fund receipts in subsequent years. The City's equipment, facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. In addition, the City has allocated one-time funds to address these negative balances at various times over the past several years, which has reduced such balances over time. In June 2019, City Council adopted a revised repayment schedule for negative funds as part of the 2019-2021 proposed policy budget.

At June 30, 2019, ORSA has a negative net position of $224.7 million. Under the former California Redevelopment Law, the Former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, ORSA's revenues can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The deficit in the Private Pension Trust Fund will be cured by future revenues and reduction in costs.

E. SUBSEQUENT EVENTS

Debt Issuance – City

Tax and Revenue Anticipation Notes Payable - On July 17, 2019, the City issued $97.3 million tax and revenue anticipation notes in advance of property tax collections. The notes were issued as one taxable series bearing an interest rate of 2.23 percent per annum and maturing on June 26, 2020. The notes were issued to finance the prepayment of the City's Employer Unfunded Accrued Liability contribution to CalPERS for fiscal year 2019-20. The City received a 3.5 percent prepayment discount from CalPERS for pre-funding.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
Police and Fire Retirement System
Last Five Fiscal Years*
(In Thousands)

Fiscal year	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Measurement period	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability					
Service Cost	$ —	$ —	$ —	$ —	$ —
Interest on the total pension liability	44,320	44,932	42,480	41,263	42,333
Changes of assumptions	17,858	—	43,480	34,219	—
Differences between expected and actual experience	(10,656)	3,028	6,978	(21,209)	—
Benefit payments, including refunds of employee contributions	(55,999)	(57,376)	(58,441)	(59,008)	(57,409)
Net change in total pension liability	(4,477)	(9,416)	34,497	(4,735)	(15,076)
Total pension liability, beginning	660,669	670,085	635,588	640,323	655,399
Total pension liability, ending	**$ 656,192**	**$ 660,669**	**$ 670,085**	**$ 635,588**	**$ 640,323**
Plan fiduciary net position					
Contributions, employer	$ 44,860	$ —	$ —	$ —	$ —
Contributions, employee	—	—	—	—	4
Net investment income	35,446	50,159	(1,419)	15,439	66,392
Administrative expenses	(1,543)	(1,261)	(1,376)	(985)	(776)
Claims and settlements	9	70	3,593	—	—
Benefit payments, including refunds of employee contributions	(55,999)	(57,376)	(58,441)	(59,008)	(57,409)
Net change in plan fiduciary net position	22,773	(8,408)	(57,643)	(44,554)	8,211
Plan fiduciary net position, beginning	353,202	361,610	419,253	463,807	455,596
Plan fiduciary net position, ending	**$ 375,975**	**$ 353,202**	**$ 361,610**	**$ 419,253**	**$ 463,807**
Plan net pension liability	**$ 280,217**	**$ 307,467**	**$ 308,475**	**$ 216,335**	**$ 176,516**
Plan fiduciary net position as a percentage of the total pension liability	**57.3%**	**53.5%**	**54.0%**	**66.0%**	**72.4%**
Covered payroll	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Plan net pension liability as a percentage of covered payroll	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Note to schedule:

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Miscellaneous Plan
Last Five Fiscal Years*
(In Thousands)

Fiscal year	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Measurement period	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability					
Service Cost	$ 43,908	$ 44,132	$ 37,856	$ 37,347	$ 37,135
Interest on the total pension liability	185,097	181,418	177,626	172,693	166,822
Changes of assumptions	(19,122)	140,332	—	(39,092)	—
Differences between expected and actual experience	(13,207)	(8,109)	(16,210)	(7,769)	—
Benefit payments, including refunds of employee contributions	(144,933)	(138,379)	(132,473)	(126,730)	(121,423)
Net change in total pension liability	51,743	219,394	66,799	36,449	82,534
Total pension liability, beginning	2,671,613	2,452,219	2,385,420	2,348,971	2,266,437
Total pension liability, ending	**$ 2,723,356**	**$ 2,671,613**	**$ 2,452,219**	**$ 2,385,420**	**$ 2,348,971**
Plan fiduciary net position					
Contributions, employer	$ 79,536	$ 75,893	$ 65,067	$ 63,531	$ 52,556
Contributions, employee	18,240	17,935	17,291	16,904	17,431
Plan to plan resource movement	548	135	—	24	—
Net investment income	151,049	182,811	8,647	37,833	256,552
Administrative expenses	(2,785)	(2,438)	(1,032)	(1,919)	—
Benefit payments, including refunds of employee contributions	(144,933)	(138,379)	(132,473)	(126,730)	(121,423)
Other miscellaneous income/(expense)	(5,289)	—	—	—	—
Net change in plan fiduciary net position	96,367	135,957	(42,500)	(10,357)	205,116
Plan fiduciary net position, beginning	1,787,313	1,651,356	1,693,856	1,704,213	1,499,097
Plan fiduciary net position, ending	**$ 1,883,679**	**$ 1,787,313**	**$ 1,651,356**	**$ 1,693,856**	**$ 1,704,213**
Plan net pension liability	**$ 839,677**	**$ 884,300**	**$ 800,863**	**$ 691,564**	**$ 644,758**
Plan fiduciary net position as a percentage of the total pension liability	**69.2%**	**66.9%**	**67.3%**	**71.0%**	**72.6%**
Covered payroll	**$ 226,157**	**$ 220,386**	**$ 206,595**	**$ 200,562**	**$ 188,886**
Plan net pension liability as a percentage of covered payroll	**371.3%**	**401.3%**	**387.6%**	**344.8%**	**341.3%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amount reported reflect an adjustment of the discount rate from 7.50% *net of administrative expense) to 7.75% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown.

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
CalPERS Safety Plan
Last Five Fiscal Years*
(In Thousands)

Fiscal year	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
Measurement period	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability					
Service Cost	$ 43,936	$ 43,687	$ 36,434	$ 32,899	$ 34,590
Interest on the total pension liability	142,495	136,316	129,920	121,444	115,261
Changes of assumptions	(6,416)	120,639	—	(31,738)	—
Differences between expected and actual experience	3,126	1,595	32,162	4,892	—
Benefit payments, including refunds of employee contributions	(93,628)	(87,231)	(80,752)	(74,198)	(68,751)
Net change in total pension liability	89,513	215,006	117,764	53,299	81,100
Total pension liability, beginning	2,021,068	1,806,062	1,688,298	1,634,999	1,553,899
Total pension liability, ending	**$ 2,110,581**	**$ 2,021,068**	**$1,806,062**	**$ 1,688,298**	**$ 1,634,999**
Plan fiduciary net position					
Contributions, employer	$ 55,633	$ 57,731	$ 47,172	$ 44,366	$ 37,007
Contributions, employee	19,188	18,432	16,221	15,027	14,598
Plan to plan resource movement	(555)	(92)	—	(24)	—
Net investment income	108,790	129,995	6,311	26,057	175,344
Administrative expenses	(2,004)	(1,726)	(719)	(1,337)	—
Benefit payments, including refunds of employee contributions	(93,628)	(87,232)	(80,752)	(74,198)	(68,751)
Other miscellaneous income/(expense) (1)	(3,806)	—	—	—	—
Net change in plan fiduciary net position	83,618	117,108	(11,767)	9,891	158,198
Plan fiduciary net position, beginning	1,286,169	1,169,061	1,180,828	1,170,937	1,012,739
Plan fiduciary net position, ending	**$ 1,369,787**	**$ 1,286,169**	**$1,169,061**	**$ 1,180,828**	**$ 1,170,937**
Plan net pension liability	**$ 740,794**	**$ 734,899**	**$ 637,001**	**$ 507,470**	**$ 464,062**
Plan fiduciary net position as a percentage of the total pension liability	**64.9%**	**63.6%**	**64.7%**	**69.9%**	**71.6%**
Covered payroll	**$ 153,500**	**$ 148,995**	**$ 136,073**	**$ 119,980**	**$ 120,396**
Plan net pension liability as a percentage of covered payroll	**482.6%**	**493.2%**	**468.1%**	**423.0%**	**385.4%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amount reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.50% discount rate.

(1) During FY 2017-18, as a result of GASB Statement 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions –
Police and Fire Retirement System
Last Six Fiscal Years*
(In Thousands)

Oakland Police and Fire Retirement System						
Fiscal year ended June 30	**2019**	**2018**	**2017**	**2016***	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 44,821	$ 44,860	$ —	$ —	$ —	$ 20,300
Contributions in relation to the ADC	(44,821)	(44,860)	—	—	—	—
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 20,300**
Covered payroll	$ —	$ —	$ —	$ —	$ —	$ —
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a

* Although actuarial valuations were performed as of June 30, 2014, 2015, and 2016, no ADC was determined for FYE 2015, 2016, and 2017 based on the City's funding policy.

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Recognized 20% difference between market value and expected actuarial value each year, with a corridor of 10% around market value.
Amortization method	Level dollar closed (9 years remaining as of 7/1/2017)
Inflation	2.75% (U.S) to 2.85% (Bay Area)
Discount rate	5.44%
Projected benefit increases	Following expiration of current MOUs (6/30/19 for Police, 10/31/17 for Fire):
Police	2.50 and 1.00% increase at January 1, 2018, 2.00% on July 1, 2018 and 2.50% at January 1, 2019, then 3.25% per year
Fire	3.25% (2.85% inflation plus 0.40% productivity increase) per year
Mortality (healthy)	CalPERS Healthy Annuitant Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year
Mortality (disabled)	CalPERS Indistrial Disability Mortality Table (from 2012-2015 Experience Study), projected to improve with MP-2017 using 2014 base year

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions – CalPERS Plans
Last Six Fiscal Years*
(In Thousands)

Miscellaneous Plan - City

Fiscal year ended June 30	2019	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 70,598	$ 60,283	$ 56,987	$ 47,934	$ 44,733	$ 52,556
Contributions in relation to the ADC	(70,598)	(60,283)	(56,987)	(49,078)	(48,796)	(52,556)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ (1,144)**	**$ (4,063)**	**$ —**
Covered payroll	$ 181,819	$ 171,344	$ 166,272	$ 152,995	$ 150,469	$ 188,886
Contributions as a percentage of covered payroll	38.83%	35.18%	34.27%	32.08%	32.43%	27.82%

Safety Plan

Fiscal year ended June 30	2019	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 69,447	$ 55,633	$ 57,731	$ 46,611	$ 43,747	$ 37,007
Contributions in relation to the ADC	(69,447)	(55,633)	(57,731)	(47,173)	(44,366)	(37,007)
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ (562)**	**$ (619)**	**$ —**
Covered payroll	$ 162,735	$ 153,500	$ 148,995	$ 136,073	$ 119,980	$ 120,396
Contributions as a percentage of covered payroll	42.67%	36.24%	38.75%	34.67%	36.98%	30.74%

Miscellaneous Plan - Port

Fiscal year ended June 30	2019	2018	2017	2016**	2015**	2014
Actuarially determined contribution (ADC)	$ 21,832	$ 19,253	$ 18,906	$ 15,989	$ 14,735	n/a
Contributions in relation to the ADC	(21,832)	(19,253)	(18,906)	(15,989)	(14,735)	n/a
Contribution deficiency (excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**n/a**
Covered payroll	$ 58,104	$ 54,813	$ 54,114	$ 53,600	$ 50,093	n/a
Contributions as a percentage of covered payroll	37.57%	35.12%	34.94%	29.83%	29.42%	n/a

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only six years of information is shown.

** In prior fiscal years, the contributions in relation to the actuarially determined contributions were based on estimates. The City adjusted the amounts to align the estimated employer contributions with the actual employer contributions per the 2018 agent-multiple employer CalPERS report for the CalPERS Miscellaneous Plan and the Safety Plan.

(In Thousands)

Methods and assumptions used to determine the last 6 years contribution rates to CalPERS plans

ADC for fiscal year	June 30, 2019, 2018, 2017, 2016, 2015, 2014
Actuarial valuation date	June 30, 2017, 2016, 2015, 2014, 2013, 2012
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	In fiscal year 2015 and 2016, the actuarial value of assets was used. In fiscal year 2017, 2018 and 2019, the market value of assets was used.
Inflation	2.50%
Salary increases	Varies by entry age and services
Payroll growth	2.70%
Investment rate of return	7.00%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. In fiscal years 2016, 2015 and 2014, the probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	In fiscal year 2019 through 2017, the probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. In fiscal years 2016, 2015 and 2014, the probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and Postretirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - City Retiree Health Plan
Last Two Fiscal Years*
(In Thousands)

Fiscal Year	**2018-19**	**2017-18***
Measurement period	2017-18	2016-17
Total OPEB liability		
Service cost	$ 38,477	$ 50,972
Interest (includes interest on service cost)	30,078	32,415
Changes of assumptions	(38,298)	(294,914)
Differences between expected and actual experience	—	(10,799)
Benefit payments, including refunds of employee contributions	(27,481)	(20,424)
Net change in total OPEB liability	**2,776**	**(242,750)**
Total OPEB liability, beginning	853,796	1,096,546
Total OPEB liability, ending	**$ 856,572**	**$ 853,796**
Plan fiduciary net position		
Contributions, employer	$ 38,147	$ 20,424
Contributions, employee	—	—
Net investment income	945	414
Administrative expenses	(7)	(2)
Benefit payments, including refunds of employee contributions	(27,481)	(20,424)
Net change in plan fiduciary net position	**11,604**	**412**
Plan fiduciary net position, beginning	4,325	3,913
Plan fiduciary net position, ending	**$ 15,929**	**$ 4,325**
Plan net OPEB liability	**$ 840,643**	**$ 849,471**
Plan fiduciary net position as a percentage of the total OPEB liability	**1.9%**	**0.5%**
Covered payroll	**$ 369,316**	**$ 360,309**
Plan net OPEB liability as a percentage of covered payroll	**227.6%**	**235.8%**

Note to schedule:

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - Port Retiree Health Plan
Last Two Fiscal Years*
(In Thousands)

Fiscal Year	**2018-19**	**2017-18***
Measurement period	2017-18	2016-17
Total OPEB liability		
Service cost	$ 4,329	$ 4,055
Interest (includes interest on service cost)	11,521	11,089
Benefit payments, including refunds of employee contributions	(9,045)	(9,000)
Net change in total OPEB liability	**6,805**	**6,144**
Total OPEB liability, beginning	170,798	164,654
Total OPEB liability, ending	**$ 177,603**	**$ 170,798**
Plan fiduciary net position		
Contributions, employer	$ 14,545	$ 15,400
Net investment income	5,351	5,773
Administrative expenses	(35)	(22)
Benefit payments, including refunds of employee contributions	(9,045)	(9,000)
Net change in plan fiduciary net position	10,816	12,151
Plan fiduciary net position, beginning	66,921	54,770
Plan fiduciary net position, ending	**$ 77,737**	**$ 66,921**
Plan net OPEB liability	**$ 99,866**	**$ 103,877**
Plan fiduciary net position as a percentage of the total OPEB liability	**43.8%**	**39.2%**
Covered payroll	**$ 61,326**	**$ 58,516**
Plan net OPEB liability as a percentage of covered payroll	**162.8%**	**177.5%**

Note to schedule:

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer OPEB Contributions -
City Retiree Health Plan
Last Two Fiscal Years
(In Thousands)

Fiscal year ended June 30	2019	2018 *
Actuarially determined contribution (ADC)	$ 75,069	$ 72,480
Contributions in relation to the ADC	(39,130)	(37,225)
Contribution deficiency (excess)	**$ 35,939**	**$ 35,255**
Covered payroll	$ 369,316	$ 360,309
Contributions as a percentage of covered payroll	10.60%	10.33%

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Market value
Amortization method	Level percentage of pay, open period, 30 years
Inflation	2.50%
Discount rate	3.58%
Rate of salary increase	2.50%
Ultimate rate of medical inflation	3.50%
Years to ultimate rate of medical inflation	20 years
Rates of mortality	Based on CalPERS assumptions adopted in 2014

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer OPEB Contributions -
Port Retiree Health Plan
Last Two Fiscal Years
(In Thousands)

Fiscal year ended June 30	2019	2018 *
Actuarially determined contribution (ADC)	$ 13,310	$ 13,203
Contributions in relation to the ADC	(14,894)	(14,732)
Contribution deficiency (excess)	**$ (1,584)**	**$ (1,529)**
Covered payroll	$ 63,359	$ 61,326
Contributions as a percentage of covered payroll	23.51%	24.02%

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal
Amortization method/period	30-year dollar amount on a "closed" basis
Inflation	2.50%
Payroll growth	CalPERS salary scale for Miscellaneous employees hired at age 30
Investment rate of return	6.75% net of investment expense
Healthcare Cost-Trend Rates	3.50-6.25% per year increase for medical, 4.0% per year increase for vision and dental, and 0.0%-5.5% per year increase for Medicare Part B.
Retirement Age and Mortality	Based on CalPERS Experience Study Report adopted in 2014 and includes a margin for mortality improvements based on Scale BB projected to 2032.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 309,765	$ 309,765	$ 312,255	$ 2,490
Sales and use	54,143	54,143	62,054	7,911
Motor vehicle in-lieu	—	—	206	206
Local taxes:				
Business license	86,622	86,622	99,733	13,111
Utility consumption	54,207	54,207	49,599	(4,608)
Real estate transfer	74,181	74,181	104,905	30,724
Transient occupancy	23,673	23,673	25,923	2,250
Parking	11,437	11,437	11,053	(384)
Voter approved special tax	11,020	11,020	9,408	(1,612)
Franchise	19,576	19,576	19,087	(489)
License and permits	2,114	2,114	1,783	(331)
Fines and penalties	21,044	21,045	21,081	36
Interest and investment income	1,210	1,360	7,263	5,903
Charges for services	92,886	98,516	102,826	4,310
Federal and state grants and subventions	4,752	6,675	3,568	(3,107)
Annuity income	6,306	6,306	5,918	(388)
Other	1,975	4,027	3,399	(628)
TOTAL REVENUES	774,911	784,667	840,061	55,394
EXPENDITURES				
Current:				
General government				
Mayor	3,106	3,163	2,871	292
Council	5,522	5,587	5,184	403
City Administrator	13,973	18,040	15,292	2,748
City Attorney	14,548	14,504	14,333	171
City Auditor	2,065	2,066	2,021	45
City Clerk	5,081	3,326	6,606	(3,280)
Public Ethics Commission	1,031	1,055	1,082	(27)
Human Resources Management	8,454	9,012	8,287	725
Financial Services	29,261	32,187	28,236	3,951
Information Technology	10,968	11,007	11,138	(131)
Race and Equity Department	562	605	536	69
Other	64,148	72,945	61,168	11,777
Public safety				
Police Department	267,405	272,551	285,254	(12,703)
Fire Department	143,620	150,109	150,827	(718)
Police Commission	2,964	3,146	2,419	727
Community and human services				
Parks and Recreation	24,899	25,923	22,942	2,981
Library	13,168	13,176	12,090	1,086
Department of Violence Prevention	416	462	450	12
Human Services Department	12,783	16,296	9,174	7,122
Community and economic development				
Planning and Building	86	281	(34)	315
Economic & Workforce Development	7,619	8,106	7,116	990
Housing & Community Development	4,374	17,429	3,884	13,545
Public works and transportation				
Public Works	39,009	38,101	34,802	3,299
Department of Transportation	7,128	9,769	7,860	1,909
Capital outlay	687	5,826	749	5,077
Debt service:				
Principal repayment	3,702	4,297	3,702	595
Interest charges	147	302	147	155
TOTAL EXPENDITURES	686,726	739,271	698,136	41,135
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	88,185	45,396	141,925	96,529
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,203	6,203	128	(6,075)
Insurance claims and settlements	93	93	—	(93)
Transfers in	28,235	28,235	5,878	(22,357)
Transfers out	(140,889)	(134,674)	(106,376)	28,298
TOTAL OTHER FINANCING SOURCES (USES)	(106,358)	(100,143)	(100,370)	(227)
NET CHANGE IN FUND BALANCE	(18,173)	(54,747)	41,555	96,302
Fund balance (deficit) - beginning	386,988	386,988	386,988	—
FUND BALANCE (DEFICIT) - ENDING	$ 368,815	$ 332,241	$ 428,543	$ 96,302

See notes to the required supplementary information.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2019
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 16,749	$ 16,749	$ 17,105	$ 356
Local taxes:				
Transient occupancy	6,821	6,821	7,081	260
Parking	10,699	10,699	10,673	(26)
Voter approved special tax	30,001	30,001	31,193	1,192
Licenses and permits	26,245	26,245	28,698	2,453
Fines and penalties	569	569	702	133
Interest and investments income	30	30	4,264	4,234
Charges for services	37,622	37,622	41,732	4,110
Federal and state grants and subventions	4,514	5,180	5,760	580
Other	7	167	989	822
TOTAL REVENUES	133,257	134,083	148,197	14,114
EXPENDITURES				
Current:				
General government				
Mayor	182	182	227	(45)
City Administrator	1,181	2,361	1,427	934
City Clerk	—	—	1,337	(1,337)
City Attorney	2,298	2,298	2,018	280
Human Resources Management	367	367	185	182
Financial Services	899	1,165	1,239	(74)
Information Technology	982	851	940	(89)
Other	5,968	6,273	6,212	61
Public safety				
Police Department	16,694	16,513	15,454	1,059
Fire Department	6,119	9,913	6,668	3,245
Community and human services				
Parks and Recreation	—	526	175	351
Library	25,712	25,684	20,112	5,572
Department of Violence Prevention	713	1,333	431	902
Human Services Department	34,401	47,950	30,413	17,537
Community and economic development				
Planning and Building	37,067	60,225	35,489	24,736
Economic & Workforce Development	—	895	1,012	(117)
Housing & Community Development	4,913	6,885	4,171	2,714
Public works and transportation				
Public Works	1,788	3,389	1,004	2,385
Department of Transportation	11,486	13,523	6,497	7,026
Capital outlay	2,432	7,355	2,971	4,384
TOTAL EXPENDITURES	153,202	207,688	137,982	69,706
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(19,945)	(73,605)	10,215	83,820
OTHER FINANCING SOURCES (USES)				
Insurance claims and settlements	—	—	82	82
Transfers in	21,569	21,569	19,967	(1,602)
Transfers out	(937)	(1,004)	(2,940)	(1,936)
TOTAL OTHER FINANCING SOURCES (USES)	20,632	20,565	17,109	(3,456)
NET CHARGE IN FUND BALANCE	687	(53,040)	27,324	80,364
Fund balance (deficit) - beginning	156,368	156,368	156,368	—
FUND BALANCE (DEFICIT) - ENDING	$ 157,055	$ 103,328	$ 183,692	$ 80,364

See notes to the required supplementary information.

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2017, the City Council approved the City's two-year budget for fiscal years 2018 and 2019. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. The final budgetary data presented in the required supplementary information reflects approved changes to the original 2017-19 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations may be carried forward to the following year with the approval of the City Administrator pursuant to the City's Consolidated Fiscal Policy.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council. Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as accounting principles generally accepted in the United States of America (GAAP) except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

- Federal/State Grant Fund
- Low and Moderate Income Housing Asset Fund
- Municipal Capital Improvement Fund

While the City adopts budgets for all funds, the budgets to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multi-year basis.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with GAAP. The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between actual amounts on a budgetary basis and a GAAP basis is due to timing.

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2019, was $0.4 million.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance - GAAP basis	$ 41,928
Amortization of debt service deposit agreement	(373)
Net change in fund balance - Budgetary basis	$ 41,555

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2019, which is as follows (in thousands):

	General Fund
Fund balance - GAAP basis	$ 427,095
Unamortized debt service deposit agreement	1,448
Fund balance - Budgetary basis	$ 428,543

FEDERAL AWARDS PROGRAMS

MGO Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2019. Our report included an emphasis of matter for uncertainties regarding the future outcome of litigation. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Oakland Police and Fire Retirement System. The City's basic financial statements include the financial statements of the Port of Oakland (Port), a discretely presented component unit. The Port engaged us to perform a separate audit of its financial statements. This report does not include the results of our testing of the Port's internal control over financial reporting or compliance that was reported on separately.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 13, 2019

Certified
Public
Accountants

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members of the City Council
City of Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the City of Oakland, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $4,073,613 in federal awards, which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the Port because the Port engaged us to perform a separate audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and report on the results separately to the Port.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
February 19, 2020

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State of California, Department of Education				
Child and Adult Care Food Program	10.558	04008-CACFP-01-GM-CS	$ 220,874	$ -
Summer Food Service Program for Children	10.559	E116-01	334,608	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			555,482	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-06-0013	17,851	-
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0013	22,776	-
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0013	2,730	-
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-06-0013	152,542	-
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-06-0013	352,100	342,205
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0013	547,723	170,526
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0013	6,865,494	1,570,958
Subtotal Community Development Block Grants/Entitlement Grants			7,961,216	2,083,689
Emergency Solutions Grant Program	14.231	E-17-MC-06-0013	31,221	31,221
Emergency Solutions Grant Program	14.231	E-18-MC-06-0013	637,211	564,290
Subtotal Emergency Solutions Grant Program			668,432	595,511
Home Investment Partnerships Program	14.239	M16-MC060208	500	-
Home Investment Partnerships Program	14.239	M17-MC060208	800,000	-
Home Investment Partnerships Program	14.239	M18-MC060208	349,992	-
Subtotal Home Investment Partnerships Program			1,150,492	-
Housing Opportunities for Persons with AIDS	14.241	CA-H15-F001	45,605	45,605
Housing Opportunities for Persons with AIDS	14.241	CA-H16-F001	840,926	840,926
Housing Opportunities for Persons with AIDS	14.241	CA-H17-F001	1,199,636	1,199,636
Housing Opportunities for Persons with AIDS	14.241	CA-H18-F001	796,531	724,800
Subtotal Housing Opportunities for Persons with AIDS			2,882,698	2,810,967
Continuum of Care Program	14.267	CA0093L9T021609	133,495	125,323
Continuum of Care Program	14.267	CA0096L9T021609	703,782	682,373
Continuum of Care Program	14.267	CA0096L9T021701	1,016,336	955,157
Continuum of Care Program	14.267	CA0103L9T021407	276,172	276,172
Continuum of Care Program	14.267	CA0103L9T021508	119,286	104,666
Continuum of Care Program	14.267	CA0103L9T021609	62,950	62,950
Continuum of Care Program	14.267	CA0106L9T021710	681,172	659,878
Continuum of Care Program	14.267	CA1270L9T021602	624,108	618,274
Continuum of Care Program	14.267	CA1465L9T021601	385,804	356,714
Continuum of Care Program	14.267	CA1465I9T021702	212,925	210,131
Subtotal Continuum of Care Program			4,216,030	4,051,638
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			16,878,868	9,541,805
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Community-Based Violence Prevention Program	16.123	2015-MU-MU-K001	4,419	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2010-PB-FX-K011	16,988	-
Crime Victims Assistance/Discretionary Grants	16.582	2016-MU-GX-K026	386,790	-
Public Safety Partnership and Community Policing Grants	16.710	2015ULWX0006	693,966	-
Public Safety Partnership and Community Policing Grants	16.710	2016ULWX0014	597,126	-
Subtotal Public Safety Partnership and Community Policing Grants			1,291,092	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2019

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE (Continued)				
DNA Backlog Reduction Program	16.741	2016-DN-BX-0097	$ 199,608	$ -
DNA Backlog Reduction Program	16.741	2017-DN-BX-0125	201,108	-
DNA Backlog Reduction Program	16.741	2018-DN-BX-0073	40,365	-
Subtotal DNA Backlog Reduction Program			441,081	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ17-13-7503	12,548	-
Equitable Sharing Program	16.922	None	120,516	-
Passed Through Alameda County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0209	24,767	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0748	163,069	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0937	104,234	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			292,070	-
TOTAL U.S. DEPARTMENT OF JUSTICE			2,565,504	-
U.S. DEPARTMENT OF LABOR				
Passed through State of California, Employment Development Department				
WIOA Cluster:				
WIOA Adult Program	17.258	K7102050	4,000	-
WIOA Adult Program	17.258	K8106651	71,342	-
WIOA Adult Program	17.258	K9110039	1,243,936	920,336
Subtotal WIOA Adult Program			1,319,278	920,336
WIOA Youth Activities	17.259	K8106651	13,424	-
WIOA Youth Activities	17.259	K9110039	1,142,451	954,768
Subtotal WIOA Youth Program			1,155,875	954,768
WIOA Dislocated Worker Formula Grants	17.278	K8106651	119,763	-
WIOA Dislocated Worker Formula Grants	17.278	K9111039	1,175,015	841,258
Subtotal WIOA Dislocated Worker Formula Grants			1,294,778	841,258
Subtotal WIOA Cluster			3,769,931	2,716,362
TOTAL U.S. DEPARTMENT OF LABOR			3,769,931	2,716,362
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State of California, Department of Transportation				
Highway Planning and Construction	20.205	ATPL-5012(131)	2,351,000	-
Highway Planning and Construction	20.205	ATPL-5012(136)	361,957	-
Highway Planning and Construction	20.205	ATPL-5012(143)	221,293	-
Highway Planning and Construction	20.205	ATPL-5012(144)	311,643	-
Highway Planning and Construction	20.205	BPMP-5012(103)	64,539	-
Highway Planning and Construction	20.205	BPMP-5012(137)	31,017	-
Highway Planning and Construction	20.205	CML-5012(127)	472,775	-
Highway Planning and Construction	20.205	CML-5012(128)	183,146	-
Highway Planning and Construction	20.205	CML-5012(135)	267,579	-
Highway Planning and Construction	20.205	HSIPL-5012(139)	58,047	-
Highway Planning and Construction	20.205	HSIPL-5012(140)	63,840	-
Highway Planning and Construction	20.205	HSIPL-5012(141)	117,253	-
Highway Planning and Construction	20.205	HSIPL-5012(142)	72,343	-
Highway Planning and Construction	20.205	HSIPL-5012(147)	321,981	-
Highway Planning and Construction	20.205	HSIPL-5012(148)	103,923	-
Highway Planning and Construction	20.205	HSIPL-5012(149)	38,742	-
Highway Planning and Construction	20.205	HSIPL-5012(150)	354,311	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2019

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (Continued)				
Highway Planning and Construction	20.205	HSIPL-5012(151)	$ 55,947	$ -
Highway Planning and Construction	20.205	HSIPL-5012(152)	83,160	-
Highway Planning and Construction	20.205	STPL-5012(028)	657,950	-
Highway Planning and Construction	20.205	STPL-5012(122)	110,612	-
Highway Planning and Construction	20.205	STPL-5012(134)	1,851,742	-
Highway Planning and Construction	20.205	STPLZ-5012(037)	3,977,715	-
Highway Planning and Construction	20.205	STPLZ-5012(123)	3,946,762	-
Highway Planning and Construction	20.205	STPLZ-5012(124)	161,173	-
Subtotal Highway Planning and Construction			16,240,450	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			16,240,450	-
U.S. DEPARTMENT OF TREASURY				
Direct Programs				
Equitable Sharing	21.016	None	843	-
TOTAL U.S. DEPARTMENT OF TREASURY			843	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79SM063517-01	9,997	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79SM063517-02	308,592	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79SM063517-03	733,493	-
Subtotal Substance Abuse and Mental Services - Projects of Regional and National Significance			1,052,082	-
Head Start	93.600	09CH010399-02-01	966,746	31,064
Head Start	93.600	09CH010399-03-00	15,333,791	4,520,567
Subtotal Head Start			16,300,537	4,551,631
Passed through State of California, Department of Community Services and Development				
Community Services Block Grant	93.569	18F-5002	736,020	317,127
Community Services Block Grant	93.569	18T-8110	35,000	35,000
Community Services Block Grant	93.569	19F-4002	594,549	296,473
Subtotal Community Services Block Grant			1,365,569	648,600
Passed through State of California, Department of Aging				
Medical Assistance Program	93.778	MS-1617-01	20,337	-
Medical Assistance Program	93.778	MS-1718-01	6,863	-
Medical Assistance Program	93.778	MS-1819-01	1,389,991	-
Subtotal Medical Assistance Program			1,417,191	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			20,135,379	5,200,231
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	15SCPCA006	196	-
Foster Grandparent Program	94.011	18SCPCA006	28,608	-
Senior Companion Program	94.016	18SCPCA006	255,115	-
Subtotal Foster Grandparent/Senior Companion Cluster			283,919	-
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			283,919	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2019

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-USR-0005	$ 6,145,338	$ -
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2015-CA-00036A	37,568	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2016-CA-00041	28,297	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2016-CA-00041A	4,263	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2016-CA-00041B	10,305	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2017-CA-00088	340,168	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2018-CA-00023	879,403	-
Subtotal National Urban Search and Rescue Response System			7,445,342	-
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036	DR 4301	316,630	-
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036	DR 4308	16,693	-
Subtotal Disaster Grants-Public Assistance (Presidentially Declared Disaster)			333,323	-
Passed through City and County of San Francisco				
Homeland Security Grant Program	97.067	2017-0083	1,103,462	-
Homeland Security Grant Program	97.067	2018-0054	285,111	-
Subtotal Homeland Security Grant Program			1,388,573	-
Passed through California Governor's Office of Emergency Services,				
FEMA Seismic Retrofit Program				
Hazard Mitigation Program	97.039	FEMA-4240-DR-CA-0065	247,654	-
Hazard Mitigation Program	97.039	FEMA-4240-DR-CA-0024	205,490	-
Subtotal Hazard Mitigation Grant			453,144	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			9,620,382	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 70,050,758	$ 17,458,398

See notes to the schedule of expenditures of federal awards.

Note 1 – General

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all federal award programs of the City of Oakland, California (City) for the year ended June 30, 2019. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

The City's reporting entity is described in Note I.A. to the City's basic financial statements. The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $4,073,613 of federal awards during the year ended June 30, 2019. The Port's federal expenditures are not included in the SEFA because such expenditures are audited and reported on separately.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting, except for the National Urban Search and Rescue (US&R) Response System Program (CFDA No. 97.025), as described in Note I Section C to the City's basic financial statements. Under the City's memoranda of understanding with the 14 Participating Agencies, the City reports expenditures under the US&R Response System Program upon receipt of reimbursements for the Participating Agencies' expenses from the Department of Homeland Security (see Note 5).

The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 Section 200.414 Indirect (F&A) costs.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the Federal/State Grant special revenue fund.

Note 4 – California Department of Aging Awards

The terms and conditions of local agency contracts with the California Department of Aging (CDA) require local agencies to display state-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule under CFDA No. 93.778, Medical Assistance Program. For state grants not involving federal funding, the amounts are to be displayed separately. The City did not receive any state grants from the CDA for the year ended June 30, 2019.

Note 5 – National Urban Search and Rescue (US&R) Response System Program

Starting in September 2017, the City entered into a Cooperative Agreement Number EMW-2013-CA-USR-005 amendments M002, M003, M004, M008, M011 and M012, with the Federal Emergency Management Agency, Department of Homeland Security (DHS), and agreed to be the Sponsoring Agency for California Task Force 4 (CA-TF4) for Hurricane Harvey, Irma, Maria, Lane and Florence. As the Sponsoring Agency, the City contracted with 14 other local government entities, Participating Agencies, to administer the reimbursement requests.

Note 5 – National Urban Search and Rescue (US&R) Response System Program (Continued)

After consultation with DHS, the City determined that the SEFA should include the cumulative expenditures approved by DHS under Cooperative Agreement Number EMW-2013-CA-USR-005 in the year ended June 30, 2019 SEFA as follows:

	Approved Amounts		
Participating Agencies:	2018	2019	Total
Alameda City Fire Department	$ 28,964	$ 29,233	$ 58,197
Alameda County Fire Department	381,663	349,474	731,137
Camp Park Fire and Emergency Services	5,395	2,209	7,604
City of Berkeley Fire Department	288,514	155,676	444,190
City of Fremont Fire Department	241,759	262,685	504,444
City of Hayward Fire Department	-	130,930	130,930
City of Livermore/Pleasanton Fire Department	195,029	148,314	343,343
City of Moraga-Orinda Fire Department	102,283	35,268	137,551
City of Novato Fire Department	52,383	18,041	70,424
City of Santa Rosa Fire Department	119,584	58,311	177,895
Contra Costa County Fire Department	199,185	161,783	360,968
Salinas Fire Department	-	-	-
Sam Ramon Valley Fire Portection District	50,530	17,733	68,263
Windsor Fire Protection District/Sonoma County Fire District	26,759	13,179	39,938
Total Participating Agencies	$ 1,692,048	$ 1,382,836	3,074,884
Independent Contractors			166,771
Sponsoring Agency			2,903,683
Total EMW-2013-CA-USR-005			$ 6,145,338

The approved amounts for each hurricane are as follows:

	Approved Amounts		
	2018	2019	Total
Hurricane Harvey (Amendment M002)	$ 1,786,248	$ 181,043	$ 1,967,291
Hurricane Irma (Amendment M003)	1,927,021	804,197	2,731,218
Hurricane Maria (Amendment M004)	63,907	-	63,907
Hurricane Lane (Amendment M008)	-	52,017	52,017
Hurricane Florence (Amendment M011)	-	1,281,215	1,281,215
Hurricane Michael (Amendment M012)	-	49,690	49,690
Total EMW-2013-CA-USR-005	$ 3,777,176	$ 2,368,162	$ 6,145,338

CITY OF OAKLAND
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	Yes

Identification of major federal programs:

Program Title	CFDA Number
• Community Development Block Grants/Entitlement Grants	14.218
• Home Investment Partnerships Program	14.239
• WIOA Cluster	17.258/17.259/17.278
• Head Start	93.600
• National Urban Search and Rescue (US&R) Response System	97.025

Dollar threshold used to distinguish between Type A and Type B programs:	$2,101,523
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2019-001 Schedule of Expenditures of Federal Awards Completeness
Material Weakness in Internal Control Over Financial Reporting

Criteria, Condition, Cause and Effect:
Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires that the City prepare a schedule showing total expenditures for the year for each federal program on an accrual basis of accounting.

During our single audit for fiscal year 2019, we noted that the City included federal expenditures incurred in fiscal year 2018 on the fiscal year 2019 Schedule of Expenditures of Federal Awards (SEFA). These expenditures were incurred under the National Urban Search and Rescue (US&R) Response System program (CFDA 97.025) awarded by the U.S. Department of Homeland Security (Department) and amounted to $3,777,175. The City's major program selections would have been changed for fiscal year 2018 if the unreported amounts were taken into consideration, which would result in the US&R program being identified as a major program required to be tested in the fiscal year 2018 single audit. After the City's further research and consultation of the understatement with the Department, the City included fiscal year 2018 expenditures on the fiscal year 2019 SEFA. Total adjustments included previously unreported amounts of $6,145,338 for fiscal years 2018 and 2019.

The City's Finance Department instructs other City departments to compile their data for federal expenditures to be reported on the SEFA each year as part of the City's year-end close process. The Financial Department provides annual instructions to other City departments on requirements for the preparation of the SEFA and performs certain procedures to verify the reported amounts provided by departments as part of its preparation of the SEFA. However, current procedures addressing completeness did not include an analysis of year-end accruals in the general ledger for potentially unreported federal expenditures on the SEFA.

Recommendation:
We recommend that the City take measures to ensure that personnel responsible for compiling federal expenditure data are familiar with SEFA reporting requirements and emphasize the need for reporting federal expenditures on the accrual accounting basis. We also recommend that the City develop additional procedures to ensure the completeness of the amounts provided by departments to be reported on the SEFA.

Views of Responsible Officials:
The views of responsible officials are set forth in the City's Corrective Action Plan, which is included in Audit Findings Follow-Up section at the end of this report.

Section III – Federal Award Findings and Questioned Costs

No current year findings are reported.

SUPPLEMENTARY SCHEDULES

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures

State of California, Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 19F-4002, Project No. 1004097-98
For the Period January 1, 2019 through June 30, 2019

	January 1, 2019 through June 30, 2019	Total Audited Costs	Total Reported	Total Budget
Revenue				
Grant Amount	$ 594,549	$ 594,549	$ 594,549	$ 1,354,323
Expenditures				
Personnel Costs				
Salaries and Wages	$ 135,037	$ 135,037	$ 135,037	$ 308,305
Fringe Benefits	134,120	134,120	134,120	228,126
Subtotal Personnel Costs	269,157	269,157	269,157	536,431
Non-Personnel Costs				
Operating Expense	7,251	7,251	7,251	28,644
Travel	4,534	4,534	4,534	20,500
Sub-Contractors/Consultants	299,358	299,358	299,358	741,590
Other Costs	14,249	14,249	14,249	27,158
Subtotal Non-Personnel Costs	325,392	325,392	325,392	817,892
Total Expenditures	$ 594,549	$ 594,549	$ 594,549	$ 1,354,323

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 18T-8110, Project No. 1004426
For the Period January 1, 2018 through June 30, 2019

	January 1, 2018 through June 30, 2018	July 1, 2018 through June 30, 2019	Total Audited Costs	Total Reported [1]	Total Budget
Revenue					
Grant Amount	$ -	$ 35,000	$ 35,000	$ 35,000	$ 35,000
Expenditures					
Personnel Costs					
Salaries and Wages	$ -	$ -	$ -	$ -	$ -
Fringe Benefits	-	-	-	-	-
Subtotal Personnel Costs	-	-	-	-	-
Non-Personnel Costs					
Operating Expense	-	-	-	-	-
Travel	-	-	-	-	-
Sub-Contractors/Consultants	-	35,000	35,000	35,000	35,000
Other Costs	-	-	-	-	-
Subtotal Non-Personnel Costs	-	35,000	35,000	35,000	35,000
Total Expenditures	$ -	$ 35,000	$ 35,000	$ 35,000	$ 35,000

[1] The reported column represents expenditures reported to the State of California, Department of Community Services and Development since the inception of the grant.

CITY OF OAKLAND

Supplemental Schedule of Revenue and Expenditures

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 18F-5002, Project No. 1003626-27
For the Period January 1, 2018 through June 30, 2019

	January 1, 2018 through June 30, 2018	July 1, 2018 through June 30, 2019	Total Audited Costs	Total Reported [1]	Total Budget
Revenue					
Grant Amount	$ 633,893	$ 736,020	$ 1,369,913	$ 1,369,913	$ 1,369,913
Expenditures					
Personnel Costs					
Salaries and Wages	$ 138,482	$ 140,709	$ 279,191	$ 279,188	$ 279,449
Fringe Benefits	125,913	150,808	276,721	276,724	276,724
Subtotal Personnel Costs	264,395	291,517	555,912	555,912	556,173
Non-Personnel Costs					
Operating Expense	12,227	30,041	42,268	42,268	39,444
Travel	6,321	6,671	12,992	12,992	13,000
Sub-Contractors/Consultants	337,890	394,553	732,443	732,443	734,998
Other Costs	13,060	13,238	26,298	26,298	26,298
Subtotal Non-Personnel Costs	369,498	444,503	814,001	814,001	813,740
Total Expenditures	$ 633,893	$ 736,020	$ 1,369,913	$ 1,369,913	$ 1,369,913

[1] The reported column represents expenditures reported to the State of California, Department of Community Services and Development since the inception of the grant.

CITY OF OAKLAND

Supplemental Schedule of Expenditures of Alameda County Awards

Year Ended June 30, 2019

Alameda County Award/Program Title	Contract Number	Exhibit/ PO Number	Expenditures
Alameda Public Health Agency			
Be Oakland Be Active	900163	10078	$ 21,962
Safe Routes to School	900163	12280	21,013
Total Public Health Agency			42,975
Department of Adult and Aging Services			
Information and Assistance (Outreach)	900163	16216	55,900
Total Department of Adult and Aging Services			55,900
Housing and Community Development Department			
Winter Shelter Program	900163	19353	140,000
Total Housing and Community Development Department			140,000
Department of Workforce and Benefits Administration			
Henry J. Robinson Multi-Service Center	900163	17290	323,898
Total Department of Workforce and Benefits Administration			323,898
Alameda Health Care Services Agency			
Core Housing Centers	15654	7483	3,546,634
Community Cabin Program	900163	16287	512,247
Total Health Care Services Agency			4,058,881
Total Alameda County Awards			$ 4,621,654

AUDIT FINDINGS FOLLOW-UP

CITY OF OAKLAND

CITY HALL ● 1 FRANK H. OGAWA PLAZA ● OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Sabrina B. Landreth
City Administrator

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In relation to the City of Oakland's (City) annual financial statement audit and the single audit for the year ended June 30, 2019, the City hereby submits a summary schedule of prior audit findings and a corrective action plan, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit findings follow-up*.

Summary Schedule of Prior Audit Findings

Reference Number:	**Financial Statement Finding 2018-001**
2018-001	Financial Reporting Process *Material Weakness in Internal Control Over Financial Reporting*
Audit Finding:	The CAFR financial reporting relies on numerous manual spreadsheets to support computations to prepare its financial statements. This manual process is prone to errors such as the audit adjustment identified related to the City's pension expense and related pension activities. The City evaluated, tested, and implemented an automated financial reporting application to automate its year-end financial reporting process. However, the City did not have enough time to ensure that the new application is generating accurate financial reports and change its work processes to automate manual excel worksheets. The City continues to work on resolving reporting and reconciling errors during the audit.
Year in which Finding Initially Occurred:	Fiscal year 2016-17.
Status of Corrective Action:	Resolved.

Reference Number:	**Federal Award Finding 2018-002**
CFDA number(s)/ Program Name(s):	14.239 – Home Investment Partnerships Program
Audit Finding:	Earmarking – The City did not have procedures in place to monitor related spending during the grant period, nor did they have a process to perform year-end review to ensure compliance with HUD's administrative and planning costs limits. This resulted in $145,938 in questioned cost of administrative costs that were not eligible to be claimed.
Year in which Finding Initially Occurred:	Fiscal year 2016-17.
Status of Corrective Action:	Resolved.

CITY OF OAKLAND

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Reference Number:	**Federal Award Finding 2018-003**
CFDA number(s)/ Program Name(s):	14.267 – Continuum of Care Program
Audit Finding:	Period of Performance – The City incurred and claimed costs prior to the start of the program's performance period. This resulted in $20,558 in questioned cost that were not eligible to be claimed.
Year in which Finding Initially Occurred:	Fiscal year 2017-18.
Status of Corrective Action:	Resolved.

CITY OF OAKLAND

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Sabrina B. Landreth FAX (510) 238-2223
City Administrator

Corrective Action Plan

The findings listed herein are discussed and numbered consistently with the findings in the Schedule of Findings and Questioned Costs.

Section II – Financial Statement Findings

2019-001 Schedule of Expenditures of Federal Awards Completeness

In relation to the City of Oakland's (City) single audit for the year ended June 30, 2019, the City hereby submits a corrective action plan for finding number 2019-001 for the US&R Program.

The City will adopt the recommendation from the auditor to take further measures to ensure that personnel responsible for communicating federal expenditure data to the Finance Department are familiar with SEFA reporting requirements and emphasize the need for reporting federal expenditures on an accrual accounting basis. The City will develop procedures to ensure the completeness of the amounts provided by departments to be reported on the SEFA.

Contact person responsible for corrective action: Stephen Walsh, Controller

Anticipated completion date: February 2020

Section III – Federal Award Findings and Questioned Costs

Not Applicable.